

CITY OF DOVER

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

Year Ended September 30, 2004

Prepared by

Anderson Bros. CPA's, P.A.

Post Falls, ID

CITY OF DOVER

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CITY OF DOVER

PO BOX 115
Dover, ID 83825
208-265-8339

Mayor

Paul "Randy" Curless

Council Members

James Janish, President
Maggie Becker
Neal Hewitt
Marguerite Burge

City Clerk

Ruth Guthrie

INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Dover, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Dover, Idaho, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dover, Idaho's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the City of Dover, Idaho, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of October 1, 2003.

City of Dover
October 12, 2005
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The City of Dover Idaho has not presented Management's Discussion & Analysis required by GASB 34 that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2005, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The budgetary comparison information, on pages 23 through 24, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Anderson Bros. CPA's, P.A.

Post Falls, Idaho
October 12, 2005

CITY OF DOVER
STATEMENT OF NET ASSETS
September 30, 2004

	Government Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash & Investments	\$ 161,000	148,068	309,068
Employee Advances	650	-	650
Receivables:			
Property Taxes	1,557	-	1,557
Other Governments	12,520	-	12,520
Other	25	5,653	5,678
Interfund Balances	38,534	(38,534)	-
Total Current Assets	214,286	115,187	329,473
Capital Assets	35,708	3,613,662	3,649,370
Accumulated Depreciation	(19,546)	(654,954)	(674,500)
Total Capital Assets	16,162	2,958,708	2,974,870
Total Assets	\$ 230,448	3,073,895	3,304,343
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 9,050	15,000	24,050
Payroll, Benefits, and Taxes Payable	2,880	3,937	6,817
Interest Payable	-	16,078	16,078
Customer Deposits	-	600	600
Current Portion Long Term Debt	-	18,824	18,824
Total Current Liabilities	11,930	54,439	66,369
Long-Term Liabilities	-	480,901	480,901
Total Liabilities	11,930	535,340	547,270
NET ASSETS			
Invested in Capital Assets, net of related debt	16,162	2,265,429	2,281,591
Unrestricted	202,356	48,112	250,468
Restricted	-	47,538	47,538
Total Net Assets	\$ 218,518	2,361,079	2,579,597

See accompanying notes to financial statements.

CITY OF DOVER
Statement of Activities
Year Ended September 30, 2004

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
General Government - General	\$ 97,205	-	-	(97,205)	-	(97,205)
Highways and Streets	35,217	-	-	(35,217)	-	(35,217)
Depreciation	2,495	-	-	(2,495)	-	(2,495)
Total Governmental Activities	134,917	-	-	(134,917)	-	(134,917)
Business-type Activities						
Water Service	65,644	-	-	-	(27,184)	(27,184)
Sewer Service	133,806	-	-	-	39,083	39,083
Total Business-Type Activities	199,450	-	-	-	11,899	11,899
Total Activities	\$ 334,367	211,349	-	(134,917)	11,899	(123,018)

General Revenues:

Property Taxes	36,799	-	-	36,799
Other Governmental	73,972	-	-	73,972
Interest Earnings	1,057	3,727	-	4,784
Franchise Fees	4,891	-	-	4,891
Building Permits	22,292	-	-	22,292
Other Revenues	899	-	-	899
Total general revenues and transfers	139,910	3,727	-	143,637
Change in Net Assets	4,993	15,626	-	20,619
Net assets-beginning	213,525	2,345,453	-	2,558,978
Net assets-ending	\$ 218,518	2,361,079	-	2,579,597

See accompanying notes to financial statements.

**CITY OF DOVER
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004**

	General Fund	Street Fund	Total
ASSETS			
Cash & Investments	\$ 159,767	1,233	161,000
Employee Advances	650	-	650
Receivables:			
Property Taxes	1,557	-	1,557
Other Governments	8,228	4,292	12,520
Other	25	-	25
Interfund Balances	11,287	27,247	38,534
Total Assets	\$ 181,514	32,772	214,286
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 6,508	2,542	9,050
Payroll, Benefits and Taxes Payable	1,089	1,791	2,880
Deferred Revenue	1,517	-	1,517
Total Liabilities	9,114	4,333	13,447
FUND EQUITY			
Unreserved	172,400	28,439	200,839
Total Fund Equity	172,400	28,439	200,839
Total Liabilities and Fund Equity	\$ 181,514	32,772	214,286
RECONCILIATION TO THE STATEMENT OF NET ASSETS:			
Total fund equity reported above			\$ 200,839
Add capital assets not reported above		35,708	
Less accumulated depreciation		(19,546)	
Net Capital Assets			16,162
Less liabilities not reported above:		-	
Total liabilities not reported above			-
Deferred revenues for property taxes receivable			1,517
Net Assets			\$ 218,518

See accompanying notes to financial statements.

**CITY OF DOVER
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED SEPTEMBER 30, 2004**

	General Fund	Street Fund	Total
Revenues:			
Property Taxes	\$ 35,703	-	35,703
Other Governmental	33,844	40,128	73,972
Interest	1,057	-	1,057
Other Income	28,082	-	28,082
Total Revenues	98,686	40,128	138,814
Expenditures:			
General Government	97,205	-	97,205
Highways and Streets	-	35,217	35,217
Capital Expenditures	-	3,167	3,167
Total Expenditures	97,205	38,384	135,589
Excess of Revenues Over Expenditures	1,481	1,744	3,225
Other Sources (Uses):			
Transfers from Other Funds	-	-	-
Total Other Sources (Uses)	-	-	-
Net Change in Fund Balance	1,481	1,744	3,225
Fund Balance - October 1,	170,919	26,695	197,614
Fund Balance - September 30,	\$ 172,400	28,439	200,839

See accompanying notes to financial statements.

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, 2004

Changes in fund balances as reported on the governmental funds statements	\$ 3,225
Decrease in current property taxes and special assessments receivable not reflected in revenue on the governmental funds statements	1,096
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:	
Capital Expenses	3,167
Total expenses on the governmental fund statement not included on the government-wide statement	3,167
Expenses on the government-wide statement of activity not included on the governmental funds statements:	
Depreciation	(2,495)
Total expenses on the government-wide statement of activity not included on the governmental funds statements:	(2,495)
Change in net assets on the government-wide statements	<u>\$ 4,993</u>

See accompanying notes to financial statements.

**CITY OF DOVER
STATEMENT OF NET ASSETS
ALL PROPRIETARY FUNDS
SEPTEMBER 30, 2004**

	Water Fund	Sewer Fund	Total
A S S E T S			
CURRENT ASSETS:			
Cash & Investments	\$ 38,209	109,859	148,068
Accounts Receivable (net)	1,872	3,781	5,653
Total Current Assets	40,081	113,640	153,721
Capital Assets	774,647	2,839,015	3,613,662
Accumulated Depreciation	(246,084)	(408,870)	(654,954)
Total Capital Assets	528,563	2,430,145	2,958,708
TOTAL ASSETS	\$ 568,644	2,543,785	3,112,429
L I A B I L I T I E S			
CURRENT LIABILITIES:			
Accounts Payable	\$ 2,980	12,020	15,000
Payroll, Benefits, & Taxes Payable	1,589	2,348	3,937
Interfund Balances	2,987	35,547	38,534
Accrued Interest Payable	723	15,355	16,078
Customer Deposits	-	600	600
Current Portion of Long Term Debt	3,555	15,269	18,824
Total Current Liabilities	11,834	81,139	92,973
LONG TERM LIABILITIES:			
Notes Payable, net of current portion	177,476	480,901	658,377
Total Long Term Liabilities	177,476	480,901	658,377
TOTAL LIABILITIES	189,310	562,040	751,350
N E T A S S E T S			
Invested in Capital Assets	346,809	1,918,620	2,265,429
Unrestricted	24,474	23,638	48,112
Restricted	8,051	39,487	47,538
Total Net Assets	\$ 379,334	1,981,745	2,361,079

See accompanying notes to financial statements.

**CITY OF DOVER
STATEMENT OF INCOME AND CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES
YEAR ENDED SEPTEMBER 30, 2004**

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 35,831	93,728	129,559
Hookups & Other	2,629	79,161	81,790
Total Operating Revenues	38,460	172,889	211,349
Operating Expenses:			
Administrative	14,586	33,133	47,719
Maintenance & Operations	22,399	43,661	66,060
Depreciation	19,230	35,455	54,685
Total Operating Expenses	56,215	112,249	168,464
Operating Income (Loss)	(17,755)	60,640	42,885
Non-Operating Revenues (Expenses):			
Interest Income	1,028	2,699	3,727
Interest Expense	(9,429)	(21,557)	(30,986)
Total Non-Operating Revenue (Expenses)	(8,401)	(18,858)	(27,259)
Change in Net Assets	(26,156)	41,782	15,626
Net Assets - October 1,	405,490	1,939,963	2,345,453
Net Assets - September 30,	\$ 379,334	1,981,745	2,361,079

See accompanying notes to financial statements.

**CITY OF DOVER
COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2004**

	Proprietary Fund Types		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers and Users	\$ 37,747	171,570	209,317
Payments to Employees	(12,682)	(29,180)	(41,862)
Payments to Suppliers	(27,820)	(38,729)	(66,549)
Net Cash Provided (Used) by Operating Activities	(2,755)	103,661	100,906
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Repayment on Revenue Bonds & Notes Payable	(3,384)	(14,615)	(17,999)
Payments for Capital Acquisitions	(2,051)	(31,135)	(33,186)
Interest Paid on Long Term Liabilities	(9,264)	(22,856)	(32,120)
Net Cash Used by Capital and Related Financing Activities	(14,699)	(68,606)	(83,305)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Bank Balances	1,028	2,699	3,727
Net Cash Provided by Investing Activities	1,028	2,699	3,727
Net Increase (Decrease) in Cash and Cash Equivalents	(16,426)	37,754	21,328
Cash and Cash Equivalents, October 1,	54,635	72,105	126,740
Cash and Cash Equivalents, September 30,	\$ 38,209	109,859	148,068
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS:			
Operating Income (Loss)	\$ (17,755)	60,640	42,885
Adjustments to Reconcile to Cash Flow:			
Depreciation	19,230	35,455	54,685
(Increase)/Decrease in Receivables	(713)	(1,319)	(2,032)
(Increase)/Decrease in Accounts Payable & Accrued Expenses	(3,517)	8,885	5,368
Total Adjustments	15,000	43,021	58,021
Net Cash Provided by Operating Activities	\$ (2,755)	103,661	100,906
SUPPLEMENTAL DISCLOSURES:			
Interest Paid	\$ 9,264	22,856	32,120

See accompanying notes to financial statements.

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS
September 30, 2004

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

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.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets 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.

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

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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.

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.

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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 donation is 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.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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 cost as of September 30, 2004. The individual funds' portions of the pool's fair value are presented as "Cash and Investments." 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.

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

Cash and Cash Equivalents

The City considers cash and cash equivalents in enterprise funds to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

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.

The City records enterprise fund charges as earned, not when collected.

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.

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.

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.

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS
September 30, 2004

Compensated Absences

Employees eligible for leave include full-time equivalent employees. The policy provides for two weeks paid leave, however, no accrual has been recorded because it is not material.

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:

Asset Class	Estimated Useful Lives
Improvements	30 - 75
Machinery & Equipment	10 - 20
Vehicles	10 - 20
Office Equipment	5 - 10
Computer Equipment	5

NOTE 2 - DEPOSITS AND INVESTMENT BALANCES

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of September 30, 2004:

	Pooled Cash And Investments	Other	Total
Bank Deposits	\$ -	90,870	90,870
Investments (net)	218,178	-	218,178
Cash on Hand	-	20	20
Total	\$ 218,178	\$ 90,890	\$ 309,068

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Fund Balance	Total
Cash	\$ 90,890	-	90,890
Investments	218,178	-	218,178
Total	\$ 309,068	-	309,068

Cash Deposits

As of September 30, 2004, the carrying amount of the City's bank deposits was \$128,285 and the respective bank balances totaled \$137,797. Of the total bank balance, \$137,797 was insured through the Federal Depository Insurance Corporation (FDIC).

Investments

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.

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 State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

The balances above that The City has in the State Investment Pool are carried at cost. The City's portion of the State Investment Pool had an unrealized gain of \$747 as of September 30, 2004.

The City's investments have been classified into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

(3) Uninsured and unregistered, with securities held by the counterparty or by the counterparty's trust department or agent, but not in the City's name.

The following schedule classifies the investments of the City as of September 30, 2004, into the above noted categories:

	Category			Carrying Amount
	1	2	3	
Certificates of Deposit	\$ 37,413	-	-	37,413
Investment in Local Govt Pool	\$ 180,765	-	-	180,765
Total Investments	\$ 218,178	-	-	218,178

NOTE 3 – RECEIVABLES

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

Year	Balance 9/30/03	Levy 2003	Adjustments & Collections	Balance 9/30/04
2000 - 2003	\$ 583	36,798	(35,824)	\$ 1,557

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, 2004 is as follows:

Taxes due at September 30, 2004	\$ 1,557
Received October 2004	(40)
Received November 2004	-
Total	\$ 1,517

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

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS
September 30, 2004

	General	Streets
State Revenue Sharing	\$ 6,695	-
Highway User's	-	4,264
State Liquor	1,533	-
Road & Bridge	-	28
Other	25	-
Total	<u>\$ 8,253</u>	<u>4,292</u>

PROPRIETARY FUNDS:	Water	Sewer	Total
User Fees Receivable (net)	<u>\$ 1,872</u>	<u>3,781</u>	<u>5,653</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
<i>Capital Assets being depreciated</i>				
Machinery & Equipment	\$ 32,541	3,167	-	35,708
Total Capital Assets being depreciated	32,541	3,167	-	35,708
Less accumulated depreciation for:				
Machinery & Equipment	(17,051)	(2,495)	-	(19,546)
Total accumulated depreciation	(17,051)	(2,495)	-	(19,546)
Total capital assets being depreciated	15,490	672	-	16,162
Governmental Activities Capital Assets, net	<u>\$ 15,490</u>	<u>672</u>	<u>-</u>	<u>16,162</u>

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 2003/04 were as follows:

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS
September 30, 2004

	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	3,396,441	31,852	-	3,428,293
Machinery & Equipment	9,894	1,334	-	11,228
Total capital assets being depreciated	3,406,335	33,186	-	3,439,521
Less accumulated depreciation for:				
Improvements	591,386	54,465	-	645,851
Machinery & Equipment	8,883	220	-	9,103
Total accumulated depreciation	600,269	54,685	-	654,954
Capital assets being depreciated, net	2,806,066	(21,499)	-	2,784,567
Business-type Activities Capital Assets, net	\$ 2,980,207	(21,499)	-	2,958,708

Depreciation expense was charged to function as follows:

Governmental Activities:

Unallocated	\$ 2,495
Sub-Total	2,495

Business-Type Activities:

Water	19,230
Sewer	35,455
Sub-Total	54,685
Total Depreciation Expense	\$ 57,180

NOTE 5 - INTERFUND BALANCES AND ACTIVITY

Interfund Balances to/from other funds for the year ended September 30, 2004 consisted of the following:

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS
September 30, 2004

\$	2,987	Loan to the General Fund from the Water Fund
	8,300	Loan to the General Fund from the Sewer Fund
	27,247	Loan to the Street Fund from the Sewer Fund
	(2,987)	Loan from the Water Fund to the General Fund
	(8,300)	Loan from the Sewer Fund to the General Fund
	(27,247)	Loan from the Sewer Fund to the Street Fund
<u>\$</u>	<u>-</u>	Total

NOTE 6 - LONG-TERM OBLIGATIONS

Changes in long-term debt during fiscal year 2003/04 are as follows:

	10/01/03	Increases	Decreases	09/30/04
<u>Business-Type Activities</u>				
Bonds Payable	\$ 695,201	-	(18,000)	677,201

Accrued but unpaid interest on outstanding bonds payable as of September 30, 2004 is \$16,078.

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2004, are as follows:

<u>Business-Type Activities</u>	<u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
<u>Year Ended September 30</u>		
2005	\$ 18,824	31,296
2006	19,710	30,410
2007	20,638	29,482
2008	21,611	28,509
2009	22,631	27,489
2010-2014	118,495	132,105
2015-2019	99,197	103,525
2020-2024	117,800	81,565
2025-2029	141,431	53,982
2030-2033	96,864	9,308
	<u>\$ 677,201</u>	<u>527,671</u>

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 7 - CONTRIBUTIONS TO PENSION PLAN

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, and survivors of eligible members of beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for 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. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the City of Dover and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2004, the required contribution rate as a percentage of covered payroll for members was 5.86% for general members and 7.21% for police/firefighters. The employer rate as a percentage of covered payroll was 9.77% for general members and 10.11% for police/firefighter members. The City of Dover's contributions required and paid were \$10,143, \$9,211, and \$8,162 for the three years ended September 30, 2004, 2003, and 2002, respectively.

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 2003/04, the City contributed \$4,082 from the general fund 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 2003/04, the City contributed \$2,574 for this insurance coverage.

CITY OF DOVER

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 9 – RESTRICTED NET ASSETS

Restricted net assets are resources that the City has designated for debt covenants.

CITY OF DOVER
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED SEPTEMBER 30, 2004

	General Fund			Street Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Property Taxes	\$ 35,743	35,743	35,703	-	-	-
Other Governmental Interest	27,499	27,499	33,844	37,316	37,316	40,128
Other Income	-	-	1,057	-	-	-
	18,758	18,758	28,082	-	-	-
Total Revenues	82,000	82,000	98,686	37,316	37,316	40,128
Expenditures:						
General Government	82,000	82,000	97,205	-	-	-
Highways and Streets	-	-	-	37,316	37,316	38,384
Total Expenditures	82,000	82,000	97,205	37,316	37,316	38,384
Excess of Revenues Over Expenditures	-	-	1,481	-	-	1,744
Other Financing Sources (Uses):						
Transfer to Other Funds	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	-	-	1,481	-	-	1,744
Fund Balance - October 1,	170,919	170,919	170,919	26,695	26,695	26,695
Fund Balance - September 30,	\$ 170,919	170,919	172,400	26,695	26,695	28,439

See accompanying notes to financial statements.

CITY OF DOVER
NOTES TO THE BUDGET AND ACTUAL SCHEDULE
Year Ended September 30, 2004

Budgets are adopted for the general, street, and enterprise fund. 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 was adopted on August 21, 2003.

The adopted budget constitutes the appropriations for the City and is the maximum limit of expenditures in each budgeted fund. The adopted budget may be amended for emergencies and other matters as provided by State law.

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 were no such expenditures in fiscal year 2004.

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.

**REPORT ON COMPLIANCE AND 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**

Mayor and City Council
City of Dover, Idaho

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Dover, Idaho as of and for the year ended September 30, 2004, which collectively comprise the City of Dover, Idaho's basic financial statements and have issued our report thereon dated October 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 financial statements and not to provide an opinion 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 financial statements. Reportable conditions are described below.

Lack of Segregation of Duties

The size of the organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Commissioners remain involved in the financial affairs of the organization to provide oversight and independent review functions. An accounting system that provides adequate internal controls would be designed so that no one individual is involved with a transaction from its beginning to its ending.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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.

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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described below.

Budget

The City exceeded budgeted expenditures by \$15,205 in their general fund as the result of increased professional fees incurred involving the City's new planned unit development. Idaho Code requires that actual expenditures not exceed budgeted expenditures without amendments.

We also noted certain additional matters that we reported to management of the City of Dover, Idaho in a separate letter dated October 12, 2005.

This report is intended solely for the information and use of management, Mayor and City Council, 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. CPA's, P.A.

Post Falls, Idaho
October 12, 2005