

# **CITY OF DOVER**

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

**Year Ended September 30, 2014**

*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

Jacqueline Albright

\_\_\_\_\_  
Treasurer

James Hutchens, P.A.



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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, 2014, 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, 2014, 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 24 through 25 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 June 3, 2015, 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  
June 3, 2015

**CITY OF DOVER**  
**Statement of Net Position**  
**September 30, 2014**

	Primary Government			Component Unit
	Government Activities	Business-Type Activities	Total	Urban Renewal Agency
<b>ASSETS</b>				
Current Assets:				
Cash & Cash Equivalents	\$ 963,518	65,061	1,028,579	175,963
Investments	-	51,948	51,948	-
Receivables:				
Property Taxes (net)	2,766	-	2,766	9,228
Other Governments (net)	29,106	-	29,106	-
Grants Receivable	47,174	-	47,174	-
Accounts Receivable	-	41,785	41,785	-
Other	2,048	5,248	7,296	-
Interest	-	993	993	-
Prepaid Expenses	8,720	968	9,688	-
Total Current Assets	1,053,332	166,003	1,219,335	185,191
Land	-	174,141	174,141	-
Capital Assets, net	738,011	6,867,180	7,605,191	-
Total Capital Assets	738,011	7,041,321	7,779,332	-
Other Assets:				
Interfund Balances	65,701	(65,701)	-	-
DURA Note Receivable	-	1,208,914	1,208,914	-
Restricted Cash	-	-	-	525,000
Total Other Assets	65,701	1,143,213	1,208,914	525,000
Total Assets	\$ 1,857,044	8,350,537	10,207,581	710,191
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 17,095	11,197	28,292	1,490
Payroll, Benefits, and Taxes Payable	25,690	4,375	30,065	-
Interest Payable	-	1,420	1,420	-
Customer Deposits	-	9,333	9,333	-
Compensated Absences Payable	727	3,182	3,909	-
Current Portion of Long Term Debt	-	45,591	45,591	357,178
Total Current Liabilities	43,512	75,098	118,610	358,668
Long Term Liabilities	-	295,110	295,110	7,548,719
Total Liabilities	43,512	370,208	413,720	7,907,387
<b>NET POSITION</b>				
Net Investment in Capital Assets	738,011	6,700,620	7,438,631	-
Restricted	-	61,780	61,780	692,367
Unrestricted	1,075,521	1,217,929	2,293,450	(7,889,563)
Total Net Position	\$ 1,813,532	7,980,329	9,793,861	(7,197,196)

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

**CITY OF DOVER**  
**Statement of Activities**  
**Year Ended September 30, 2014**

	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	
<b>Primary Government:</b>								
Governmental Activities								
General Government	\$ 232,824	-	4,549	16,000	(212,275)	-	(212,275)	
Highway and Streets	19,222	-	-	-	(19,222)	-	(19,222)	
Transportation	366,016	-	501,425	-	135,409	-	135,409	
Depreciation - Unallocated	45,040	-	-	-	(45,040)	-	(45,040)	
Total Governmental Activities	663,102	-	505,974	16,000	(141,128)	-	(141,128)	
Business-type Activities								
Water Service	116,291	134,496	-	-	-	18,205	18,205	
Sewer Service	414,587	336,298	-	-	-	(78,289)	(78,289)	
Total Business-type Activities	530,878	470,794	-	-	-	(60,084)	(60,084)	
Total primary government	\$ 1,193,980	470,794	505,974	16,000	(141,128)	(60,084)	(201,212)	
<b>Component Units:</b>								
Dover Urban Renewal Agency	487,655	-	-	-				(487,655)
Total component units	\$ 487,655	-	-	-				(487,655)
General Revenues:								
Property Taxes					\$ 74,433	-	74,433	558,487
Other Governmental					151,226	-	151,226	\
Licenses and Permits					34,997	-	34,997	-
Interest Earnings					890	1,826	2,716	1,085
Other Revenues					70,112	-	70,112	3,733
Gain/(Loss) on Sale of Assets					-	-	-	-
Total General Revenues and Transfers					331,658	1,826	333,484	563,305
Change in Net Position					190,530	(58,258)	132,272	75,650
Net Position- Beginning					1,623,002	8,038,587	9,661,589	(7,272,846)
Net Position- Ending					\$ 1,813,532	7,980,329	9,793,861	(7,197,196)

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

**CITY OF DOVER**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2014**

	General Fund	Street Fund	Transportation Fund	Total
<b>ASSETS</b>				
Cash & Investments	\$ 755,548	2,500	205,470	963,518
Receivables:				
Property Taxes	2,766	-	-	2,766
Other Governments	24,433	4,673	-	29,106
Grants Receivable	-	-	47,174	47,174
Other	-	2,048	-	2,048
Interest	-	-	-	-
Interfund Balances	(82,612)	150,543	(2,230)	65,701
Prepaid Expenses	484	484	7,752	8,720
Total Assets	<u>\$ 700,619</u>	<u>160,248</u>	<u>258,166</u>	<u>1,119,033</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 8,916	38	8,141	17,095
Payroll, Benefits and Taxes Payable	8,515	-	17,175	25,690
Total Liabilities	17,431	38	25,316	42,785
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	2,667	-	-	2,667
Total Deferred Inflows of Resources	2,667	-	-	2,667
<b>FUND EQUITY</b>				
Nonspendable:				-
Prepaid Expenses	484	484	7,752	8,720
Assigned:				-
Street Fund	-	159,726	-	159,726
Transportation Fund	-	-	225,098	225,098
Unassigned	680,037	-	-	680,037
Total Fund Equity	680,521	160,210	232,850	1,073,581
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 700,619</u>	<u>160,248</u>	<u>258,166</u>	<u>1,119,033</u>

**RECONCILIATION TO THE STATEMENT OF NET POSITION:**

Total fund equity reported above	\$ 1,073,581
Add capital assets not reported above	959,773
Less accumulated depreciation	(221,762)
Net Capital Assets	<u>738,011</u>
Deduct compensated absences payable not reported above	(727)
Deferred revenues for property taxes	2,667
Net Position	<u>\$ 1,813,532</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, 2014**

	General Fund	Street Fund	Transportation Fund	Total
<b>Revenues:</b>				
Property Taxes	\$ 73,337	-	-	73,337
Other Governmental	89,883	61,343	-	151,226
Licenses and Permits	34,997	-	-	34,997
Interest	596	95	199	890
Other Income	69,112	-	1,000	70,112
Donations & Grants	4,549	-	501,425	505,974
Total Revenues	272,474	61,438	502,624	836,536
<b>Expenditures:</b>				
General Government	232,097	-	-	232,097
Highways and Streets	-	18,822	-	18,822
Transportation Department	-	-	366,016	366,016
Capital Expenditures	2,998	82,196	75,065	160,259
Total Expenditures	235,095	101,018	441,081	777,194
Excess of Revenues Over Expenditures	37,379	(39,580)	61,543	59,342
<b>Other Sources (Uses):</b>				
Transfers from Other Funds	-	-	-	-
Gain/(Loss) on Sale of Assets	-	-	-	-
Total Other Sources (Uses)	-	-	-	-
Net Change in Fund Balance	37,379	(39,580)	61,543	59,342
Fund Balance - October 1,	643,142	199,790	171,307	1,014,239
Fund Balance - September 30,	\$ 680,521	160,210	232,850	1,073,581

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, 2014**

Changes in fund balances as reported on the governmental funds statements	\$	59,342
Increase in current property taxes not reflected in revenue on the governmental funds statements		1,096
Expenses on the governmental fund statement not included on the government-wide statement of activity:		
Capital Asset Purchase		159,859
Total expenses on the governmental fund statement not included on the government-wide statement		159,859
Income on the government-wide statement of activity not included on the governmental funds statements:		
Capital Contributions and Grants		16,000
Total income on the governmental fund statement not included on the government-wide statement		16,000
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation		(45,040)
Compensated Absences		(727)
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(45,767)
Change in net position on the government-wide statements	\$	190,530

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

**CITY OF DOVER**  
**Statement of Net Position**  
**All Proprietary Funds**  
**September 30, 2014**

	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash & Cash Equivalents	\$ 26,255	38,806	65,061
Investments	-	51,948	51,948
Accounts Receivable (net)	14,207	27,578	41,785
Interest Receivable	544	449	993
Other Receivable	-	5,248	5,248
Prepaid Expenses	484	484	968
Total Current Assets	41,490	124,513	166,003
Land	5,600	168,541	174,141
Capital Assets	1,189,060	8,454,599	9,643,659
Accumulated Depreciation	(532,520)	(2,243,959)	(2,776,479)
Total Capital Assets	662,140	6,379,181	7,041,321
<b>OTHER ASSETS:</b>			
Interfund Balances	(135,179)	69,478	(65,701)
DURA Note Receivable	551,087	657,827	1,208,914
Total Other Assets	415,908	727,305	1,143,213
<b>TOTAL ASSETS</b>	<b>\$ 1,119,538</b>	<b>7,230,999</b>	<b>8,350,537</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable	\$ 6,214	4,983	11,197
Payroll, Benefits, & Taxes Payable	-	4,375	4,375
Interest Payable	388	1,032	1,420
Customer Deposits	4,666	4,667	9,333
Compensated Absences	-	3,182	3,182
Current Portion of Long Term Debt	12,469	33,122	45,591
Total Current Liabilities	23,737	51,361	75,098
<b>LONG TERM LIABILITIES:</b>			
Notes Payable, net of current portion	80,712	214,398	295,110
Total Long Term Liabilities	80,712	214,398	295,110
<b>TOTAL LIABILITIES</b>	<b>104,449</b>	<b>265,759</b>	<b>370,208</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	568,959	6,131,661	6,700,620
Restricted:			
Expendable:			
Restricted for debt covenants	16,896	44,884	61,780
Unrestricted	429,234	788,695	1,217,929
Total Net Position	<b>\$ 1,015,089</b>	<b>6,965,240</b>	<b>7,980,329</b>

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, 2014**

	Water Fund	Sewer Fund	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 134,273	247,071	381,344
Hookups & Other	223	89,227	89,450
Grant Income	-	-	-
Total Operating Revenues	134,496	336,298	470,794
<b>Operating Expenses:</b>			
Administrative	8,305	9,080	17,385
Maintenance & Operations	71,100	125,057	196,157
Depreciation	31,941	267,315	299,256
Total Operating Expenses	111,346	401,452	512,798
Operating Income (Loss)	23,150	(65,154)	(42,004)
<b>Non-Operating Revenues (Expenses):</b>			
Interest Income	614	1,212	1,826
Interest Expense	(4,945)	(13,135)	(18,080)
Gain/(Loss) on Sale of Equipment	-	-	-
Total Non-Operating Revenue (Expenses)	(4,331)	(11,923)	(16,254)
Change in Net Position	18,819	(77,077)	(58,258)
Net Position - October 1,	996,270	7,042,317	8,038,587
Net Position - September 30,	\$ 1,015,089	6,965,240	7,980,329

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

**CITY OF DOVER**  
**Statement of Cash Flows**  
**All Proprietary Funds**  
**Year Ended September 30, 2014**

	Proprietary Fund Types		
	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers and Users	\$ 129,427	321,815	451,242
Payments to Employees	(43,357)	(67,199)	(110,556)
Payments to Suppliers	(56,601)	(88,539)	(145,140)
Net Cash Provided by Operating Activities	29,469	166,077	195,546
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Due to/from Other Funds	17,726	(59,775)	(42,049)
Net Cash Provided (Used) by Noncapital Financing Activities	17,726	(59,775)	(42,049)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of Capital Assets	(28,043)	(76,722)	(104,765)
Repayment on Revenue Bonds & Notes Payable	(11,952)	(31,750)	(43,702)
Interest Paid on Long Term Liabilities	(4,946)	(15,195)	(20,141)
Net Cash Used by Capital and Related Financing Activities	(44,941)	(123,667)	(168,608)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments	-	(234)	(234)
Interest on Bank Balances	164	2,020	2,184
Net Cash Provided by Investing Activities	164	1,786	1,950
Net Increase (Decrease) in Cash and Cash Equivalents	2,418	(15,579)	(13,161)
Cash and Cash Equivalents, October 1,	23,837	54,385	78,222
Cash and Cash Equivalents, September 30,	\$ 26,255	38,806	65,061
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:</b>			
Operating Income (Loss)	\$ 23,150	(65,154)	(42,004)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Cash flows reported in other categories:			
Depreciation	31,941	267,315	299,256
Change in assets and liabilities:			
Accounts Receivable	(4,427)	(13,842)	(18,269)
Prepaid Expenses	(484)	(484)	(968)
Accounts Payable & Accrued Expenses	(14,783)	(20,797)	(35,580)
Payroll, Benefits, & Taxes Payable	(5,286)	(320)	(5,606)
Customer Deposits	(642)	(641)	(1,283)
Net Cash Provided by Operating Activities	\$ 29,469	166,077	195,546

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

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2014**

**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, 2014**

**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, 2014**

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, 2014. 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.

*See accompanying independent auditors' report.*

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2014**

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

Receivables and Payables – (Cont.)

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.

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, 2014.

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, 2014, compensated absences payable for governmental activities and business-type activities were \$3,909.

*See accompanying independent auditors' report.*

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2014**

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:

Asset Class	Estimated Useful Lives
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, 2014**

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, 2014**

**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, 2014, 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	\$ 1,092,613
Otherwise insured or collateralized	-
Uninsured	-
Total	<u>\$ 1,092,613</u>

**Summary of Cash and Cash Equivalent Balances**

Cash, cash equivalents, and investments at September 30, 2014 are classified in the accompanying financial statement as follows:

	<u>Primary Government</u>
Statement of Net Position:	
Cash and cash equivalents	\$ 1,028,579
Restricted cash	-
Investments	51,948
Total	<u>\$ 1,080,527</u>

Cash, cash equivalents, and investments at September 30, 2014 consist of the following:

	<u>Primary Government</u>
Cash:	
Deposits with financial institutions	\$ 1,028,579
Cash equivalents:	
Money market funds and savings	-
Investments:	
Certificates of deposit	51,948
Total	<u>\$ 1,080,527</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, 2014**

**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, 2014, the note is earning interest at the rate of 0.16%.

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 has since increased to a total of \$208,914. 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, 2014 the note is earning interest at the rate of 0.16%.

Total interest earned on these notes for the year ended September 30, 2014 is \$1,340.

**NOTE 4 – RECEIVABLES**

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

Year	Balance 9/30/13	Levy 2013	Adjustments & Collections	Balance 9/30/14
2011 - 2013	\$ 2,192	74,155	(73,581)	\$ 2,766

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, 2014 is as follows:

Taxes due at September 30, 2014	\$ 2,766
Received October 2014	(76)
Received November 2014	(23)
<b>Total</b>	<b>\$ 2,667</b>

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

	General	Streets	Transportation	Total
State Revenue Sharing	\$ 16,002	-	-	16,002
Highway Users	-	4,603	-	4,603
State Liquor	4,253	-	-	4,253
State Sales Tax	1,943	-	-	1,943
Road & Bridge	-	70	-	70
Franchise Fees	2,183	-	-	2,183
Miscellaneous	52	-	-	52
<b>Total</b>	<b>\$ 24,433</b>	<b>4,673</b>	<b>-</b>	<b>29,106</b>

The Transportation Department reflects \$47,174 of Grant Income receivable as of September 30, 2014.

PROPRIETARY FUNDS:	Water	Sewer	Total
User Fees Receivable (net)	\$ 14,207	27,578	41,785

See accompanying independent auditors’ report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities</b>				
<i>Capital Assets being depreciated</i>				
Machinery & Equipment	\$ 783,915	175,859	-	959,774
Total Capital Assets being depreciated	783,915	175,859	-	959,774
Less accumulated depreciation for:				
Machinery & Equipment	(176,723)	(45,040)	-	(221,763)
Total accumulated depreciation	(176,723)	(45,040)	-	(221,763)
Total capital assets being depreciated	607,192	130,819	-	738,011
Governmental Activities Capital Assets, net	\$ 607,192	130,819	-	738,011

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 2013/14 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type Activities</b>				
<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	9,517,715	104,765	-	9,622,480
Machinery & Equipment	21,178	-	-	21,178
Total capital assets being depreciated	9,538,893	104,765	-	9,643,658
Less accumulated depreciation	(2,477,222)	(299,256)	-	(2,776,478)
Capital assets being depreciated, net	7,061,671	(194,491)	-	6,867,180
Business-type Activities Capital Assets, net	\$ 7,235,812	(194,491)	-	7,041,321

See accompanying independent auditors' report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2014**

NOTE 5 – CAPITAL ASSETS – (CONTINUED)

Depreciation expense was charged to function as follows:

Governmental Activities:

Unallocated	\$ 45,040
Sub-Total	<u>45,040</u>

Business-Type Activities:

Water	31,941
Sewer	<u>267,315</u>
Sub-Total	<u>299,256</u>
Total Depreciation Expense	<u>\$ 344,296</u>

NOTE 6 – LONG-TERM OBLIGATIONS

Changes in long-term debt during fiscal year 2013/14 are as follows:

	10/01/13	Increases	Decreases	09/30/14
<u>Business-Type Activities</u>				
Bonds Payable	\$ 384,403	-	(43,702)	<u>340,701</u>

Accrued but unpaid interest on outstanding bonds payable as of September 30, 2014 is \$1,214.

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Business-Type Activities

<u>Year Ended September 30</u>	<u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2015	45,591	16,189
2016	47,914	13,866
2017	50,355	11,425
2018	52,920	8,860
2019	55,616	6,164
2020-2021	<u>88,305</u>	<u>3,889</u>
Total	<u>\$ 340,701</u>	<u>60,393</u>

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 7 – INTERFUND BALANCES AND ACTIVITY**

Interfund Balances to/from other funds for the year ended September 30, 2014 consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	-	82,612
Street Fund	150,543	-
Transportation Fund	-	2,230
Water Fund	-	135,179
Sewer Fund	69,478	-
Total	<u>\$ 220,021</u>	<u>220,021</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 2013/14, the City contributed \$1,736 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 2013/14, the City contributed \$12,301 for this insurance coverage.

**NOTE 9 – CONTRIBUTIONS TO PENSION PLAN**

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, 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 other political subdivisions to participate by contractual agreement with PERSI. After 5 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.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov)

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2014**

NOTE 9 – CONTRIBUTIONS TO PENSION PLAN – (CONTINUED)

The actuarially determined 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 September 30, 2014, the required contribution rate as a percentage of covered payroll for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The City of Dover's employer contributions required and paid were \$21,278, \$19,179, and \$22,563, for the three years ended September 30, 2014, 2013, and 2012, respectively.

NOTE 10 – 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. As of September 30, 2014, the City had received a total of \$210,000 from the City of Sandpoint, \$1,400 from the City of Kootenai, and \$389,899 from the City of Ponderay on behalf of the SPOT transportation system, as required by the ITD grant awarded for the transportation system.

**CITY OF DOVER**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended September 30, 2014**

	General Fund			Street Fund			Transportation Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenues:</b>									
Property Taxes	\$ 74,022	74,022	73,337	-	-	-	-	-	-
Other Governmental Licenses and Permits	5,868	5,868	89,883	68,600	68,600	61,343	-	-	-
Interest	-	-	34,997	-	-	95	-	-	199
Other Income	167,766	167,766	69,112	-	-	-	-	-	1,000
Donations & Grants	-	-	4,549	-	-	-	540,031	540,031	501,425
Capital Funds	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>247,656</b>	<b>247,656</b>	<b>272,474</b>	<b>68,600</b>	<b>68,600</b>	<b>61,438</b>	<b>540,031</b>	<b>540,031</b>	<b>502,624</b>
<b>Expenditures:</b>									
General Government	247,468	247,468	232,097	-	-	-	-	-	-
Highways and Streets	-	-	-	102,000	167,000	18,822	-	-	-
Transportation Department	-	-	-	-	-	-	540,031	540,031	366,016
Capital Expenditures	-	-	2,998	-	-	82,196	-	-	75,065
<b>Total Expenditures</b>	<b>247,468</b>	<b>247,468</b>	<b>235,095</b>	<b>102,000</b>	<b>167,000</b>	<b>101,018</b>	<b>540,031</b>	<b>540,031</b>	<b>441,081</b>
Excess of Revenues Over Expenditures	188	188	37,379	(33,400)	(98,400)	(39,580)	-	-	61,543
<b>Other Financing Sources (Uses):</b>									
Gain/(Loss) on Sale of Assets	-	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	188	188	37,379	(33,400)	(98,400)	(39,580)	-	-	61,543
Fund Balance - October 1,	643,142	643,142	643,142	199,790	199,790	199,790	171,307	171,307	171,307
Fund Balance - September 30,	\$ 643,330	643,330	680,521	166,390	101,390	160,210	171,307	171,307	232,850

See accompanying notes to budget and independent auditors' report.

**CITY OF DOVER**  
**Notes to Budget and Actual Schedule**  
**Year Ended September 30, 2014**

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, 2014, 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 June 3, 2015.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. #2014-1

**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*.

### **City of Dover, Idaho's Responses to Findings**

The City of Dover, Idaho's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Dover, Idaho's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho  
June 3, 2015

**CITY OF DOVER**  
**Schedule of Findings and Responses**  
**September 30, 2014**

2014-1

*Basis of Accounting- Proprietary Funds*

The City failed to properly record proprietary funds on the accrual basis of accounting.

Criteria

Government accounting standards require the accrual basis of accounting and the economic resources measurement focus to be used for proprietary funds of government entity.

Condition

The City failed to properly record proprietary funds on the accrual basis of accounting.

Effect

Prior to incorporation of the proposed adjustments, the Water Fund's expenses and equity were overstated by approximately \$8,321 and the Sewer Fund's expenses and equity were understated by approximately \$159,014.

Cause

The City is recording transactions of their proprietary funds on the modified accrual basis of accounting, rather than the accrual basis of accounting.

Recommendations

Our recommendation for the City is to become familiar with the differences in the modified accrual and accrual basis of accounting, and apply these correctly to the City's funds in the future.

Views of Responsible Officials

The City is fully aware of the differences in modified accrual and accrual basis of accounting. The City chooses to record transactions in the proprietary funds throughout the year on a basis other than the accrual basis of accounting. This is done for budget purposes and for Management Use Only Financial Statements, which are used by the Council for discussion purposes. The City neglected to make the reversing entries to restore the books to accrual basis before they gave the books to the auditor. This has been treated the same in the past without comment from the auditors. The City will be sure that the proprietary funds are reported on the accrual basis of accounting when the books are turned over to the auditors for the year ending 9/30/15.