

# **CITY OF DOVER**

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

**Year Ended September 30, 2012**

***Prepared by***

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

**Post Falls, ID**

# CITY OF DOVER

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# CITY OF DOVER

## ORGANIZATION

\_\_\_\_\_  
Mayor

Paul "Randy" Curless

\_\_\_\_\_  
Council Members

Marguerite Burge, President

Dave Darling

Annie Shaha

Denise Travis

\_\_\_\_\_  
City Clerk

Kym Holbert

\_\_\_\_\_  
Treasurer

Colleen Cullwell



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## 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, each major fund, and the aggregate remaining fund information of the City of Dover, Idaho, as of and for the year ended September 30, 2012, 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 did not audit the financial statements of Dover Urban Renewal Agency, which is a discretely presented component unit and 2 percent, (352) percent, and 36 percent, respectively, of the assets, net assets, and revenues of the City's governmental and business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Dover Urban Renewal Agency, is based on the report of the other auditors.

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 the 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, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2013, 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 25 through 26 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.

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

Anderson Bros. CPA's, P.A.

Post Falls, Idaho

June 7, 2013

**CITY OF DOVER**  
**Statement of Net Assets**  
**September 30, 2012**

	Primary Government			Component Unit
	Government Activities	Business-Type Activities	Total	Urban Renewal Agency
<b>ASSETS</b>				
Current Assets:				
Cash & Cash Equivalents	\$ 635,262	57,774	693,036	148,244
Investments	-	50,941	50,941	-
Receivables:				
Property Taxes (net)	4,080	-	4,080	604,517
Other Governments (net)	26,257	-	26,257	-
Grants Receivable	16,344	-	16,344	-
Other	-	30,121	30,121	-
Interest	-	1,630	1,630	-
Total Current Assets	681,943	140,466	822,409	752,761
Land	-	174,141	174,141	-
Capital Assets, net	642,554	7,333,274	7,975,828	-
Total Capital Assets	642,554	7,507,415	8,149,969	-
Other Assets:				
Interfund Balances	232,450	(232,450)	-	-
Note Receivable - DURA	-	1,174,095	1,174,095	(1,174,095)
Restricted Cash	-	-	-	550,000
Bond Fees (net)	-	-	-	59,462
Total Other Assets	232,450	941,645	1,174,095	(564,633)
Total Assets	\$ 1,556,947	8,589,526	10,146,473	188,128
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 21,202	9,020	30,222	113,803
Payroll, Benefits, and Taxes Payable	27,597	8,443	36,040	-
Interest Payable	-	1,516	1,516	121,690
Deferred Tax Revenue	-	-	-	583,000
Customer Deposits	-	9,517	9,517	-
Compensated Absences Payable	739	3,187	3,926	-
Current Portion of Long Term Debt	-	41,269	41,269	235,443
Total Current Liabilities	49,538	72,952	122,490	1,053,936
Long Term Liabilities	-	384,402	384,402	6,640,333
Total Liabilities	49,538	457,354	506,892	7,694,269
<b>NET ASSETS</b>				
Invested in Capital Assets, net of related debt	642,554	7,081,744	7,724,298	-
Restricted	-	61,780	61,780	(550,000)
Unrestricted	864,855	988,648	1,853,503	(6,956,141)
Total Net Assets	\$ 1,507,409	8,132,172	9,639,581	(7,506,141)

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

**CITY OF DOVER**  
**Statement of Activities**  
**Year Ended September 30, 2012**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			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	\$ 205,007	-	-	-	(205,007)	-	(205,007)	
Highway and Streets	24,850	-	-	-	(24,850)	-	(24,850)	
Transportation	324,477	-	-	407,604	83,127	-	83,127	
Depreciation - Unallocated	35,398	-	-	-	(35,398)	-	(35,398)	
Total Governmental Activities	589,732	-	-	407,604	(182,128)	-	(182,128)	
Business-type Activities								
Water Service	142,785	129,471	-	-	-	(13,314)	(13,314)	
Sewer Service	429,599	239,507	-	-	-	(190,092)	(190,092)	
Total Business-type Activities	572,384	368,978	-	-	-	(203,406)	(203,406)	
Total primary government	\$ 1,162,116	368,978	-	407,604	(182,128)	(203,406)	(385,534)	
<b>Component Units:</b>								
Dover Urban Renewal Agency	1,601,526	-	-	-				(1,601,526)
Total component units	\$ 1,601,526	-	-	-				(1,601,526)
General Revenues:								
Property Taxes					\$ 68,095	-	68,095	585,350
Other Governmental					136,865	-	136,865	-
Interest Earnings					7,636	4,562	12,198	1,571
Other Revenues					85,055	-	85,055	-
Gain/(Loss) on Sale of Assets					995	2,500	3,495	-
Total General Revenues and Transfers					298,646	7,062	305,708	586,921
Change in Net Assets					116,518	(196,344)	(79,826)	(1,014,605)
Net Assets- Beginning					1,390,891	8,328,516	9,719,407	(6,491,536)
Net Assets- Ending					\$ 1,507,409	8,132,172	9,639,581	(7,506,141)

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

**CITY OF DOVER**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2012**

	General Fund	Street Fund	Transportation Fund	Total
<b>ASSETS</b>				
Cash & Investments	\$ 332,857	176,866	125,539	635,262
Receivables:				
Property Taxes	4,080	-	-	4,080
Other Governments	21,756	4,501	-	26,257
Grants Receivable	-	-	16,344	16,344
Interest	-	-	-	-
Interfund Balances	267,599	(20,032)	(15,117)	232,450
Total Assets	<u>\$ 626,292</u>	<u>161,335</u>	<u>126,766</u>	<u>914,393</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 11,392	465	9,345	21,202
Payroll, Benefits and Taxes Payable	12,005	624	14,968	27,597
Deferred Revenue	3,967	-	-	3,967
Total Liabilities	<u>27,364</u>	<u>1,089</u>	<u>24,313</u>	<u>52,766</u>
<b>FUND EQUITY</b>				
Assigned:				-
Street Fund	-	160,246	-	160,246
Transportation Fund	-	-	102,453	102,453
Unassigned	598,928	-	-	598,928
Total Fund Equity	<u>598,928</u>	<u>160,246</u>	<u>102,453</u>	<u>861,627</u>
Total Liabilities and Fund Equity	<u>\$ 626,292</u>	<u>161,335</u>	<u>126,766</u>	<u>914,393</u>

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

Total fund equity reported above	\$ 861,627
Add capital assets not reported above	783,146
Less accumulated depreciation	(140,592)
Net Capital Assets	<u>642,554</u>
Deduct compensated absences payable not reported above	(739)
Deferred revenues for property taxes and franchise fees receivable	3,967
Net Assets	<u>\$ 1,507,409</u>

See accompanying notes to financial statements and auditors' report.

**CITY OF DOVER**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - All Governmental Fund Types**  
**Year Ended September 30, 2012**

	General Fund	Street Fund	Transportation Fund	Total
<b>Revenues:</b>				
Property Taxes	\$ 69,309	-	-	69,309
Other Governmental	81,841	55,024	-	136,865
Interest	7,151	299	186	7,636
Other Income	85,055	-	-	85,055
Donations & Grants	-	-	407,604	407,604
Total Revenues	243,356	55,323	407,790	706,469
<b>Expenditures:</b>				
General Government	205,461	-	-	205,461
Highways and Streets	-	24,850	-	24,850
Transportation Department	-	-	324,477	324,477
Capital Expenditures	1,782	-	24,195	25,977
Total Expenditures	207,243	24,850	348,672	580,765
Excess of Revenues Over Expenditures	36,113	30,473	59,118	125,704
<b>Other Sources (Uses):</b>				
Transfers from Other Funds	-	-	-	-
Gain/(Loss) on Sale of Assets	995	-	-	995
Total Other Sources (Uses)	995	-	-	995
Net Change in Fund Balance	37,108	30,473	59,118	126,699
Fund Balance - October 1,	561,820	129,773	43,335	734,928
Fund Balance - September 30,	\$ 598,928	160,246	102,453	861,627

See accompanying notes to financial statements and 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, 2012**

Changes in fund balances as reported on the governmental funds statements		\$ 126,699
Decrease in current property taxes not reflected in revenue on the governmental funds statements		(1,215)
Expenses on the governmental fund statement not included on the government-wide statement of activity:		
Capital Asset Purchase	25,977	
Total expenses on the governmental fund statement not included on the government-wide statement		25,977
Income on the government-wide statement of activity not included on the governmental funds statements:		
Capital Contributions and Grants	-	
Total income on the governmental fund statement not included on the government-wide statement		-
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(35,398)	
Compensated Absences	455	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(34,943)
Change in net assets on the government-wide statements		\$ 116,518

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

**CITY OF DOVER**  
**Statement of Net Assets**  
**All Proprietary Funds**  
**September 30, 2012**

	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash & Cash Equivalents	\$ 21,566	36,208	57,774
Investments	-	50,941	50,941
Accounts Receivable (net)	10,241	19,880	30,121
Interest Receivable	113	1,517	1,630
<b>Total Current Assets</b>	<b>31,920</b>	<b>108,546</b>	<b>140,466</b>
Land	5,600	168,541	174,141
Capital Assets	1,136,301	8,377,876	9,514,177
Accumulated Depreciation	(470,572)	(1,710,331)	(2,180,903)
<b>Total Capital Assets</b>	<b>671,329</b>	<b>6,836,086</b>	<b>7,507,415</b>
<b>OTHER ASSETS:</b>			
Interfund Balances	307,769	(540,219)	(232,450)
DURA Note Receivable	84,239	1,089,856	1,174,095
<b>Total Other Assets</b>	<b>392,008</b>	<b>549,637</b>	<b>941,645</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,095,257</b>	<b>7,494,269</b>	<b>8,589,526</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable	\$ 2,911	6,109	9,020
Payroll, Benefits, & Taxes Payable	3,697	4,746	8,443
Interest Payable	415	1,101	1,516
Customer Deposits	4,759	4,758	9,517
Compensated Absences	942	2,245	3,187
Current Portion of Long Term Debt	11,287	29,982	41,269
<b>Total Current Liabilities</b>	<b>24,011</b>	<b>48,941</b>	<b>72,952</b>
<b>LONG TERM LIABILITIES:</b>			
Notes Payable, net of current portion	105,133	279,269	384,402
<b>Total Long Term Liabilities</b>	<b>105,133</b>	<b>279,269</b>	<b>384,402</b>
<b>TOTAL LIABILITIES</b>	<b>129,144</b>	<b>328,210</b>	<b>457,354</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	554,909	6,526,835	7,081,744
Restricted:			
Expendable:			
Restricted for debt covenants	16,896	44,884	61,780
Unrestricted	394,308	594,340	988,648
<b>Total Net Assets</b>	<b>\$ 966,113</b>	<b>7,166,059</b>	<b>8,132,172</b>

See accompanying notes to financial statements and auditors' report.

**CITY OF DOVER**  
**Statement of Income and Changes in Net Assets**  
**All Proprietary Funds**  
**Year Ended September 30, 2012**

	Water Fund	Sewer Fund	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 126,220	234,005	360,225
Hookups & Other	3,251	5,502	8,753
Total Operating Revenues	129,471	239,507	368,978
<b>Operating Expenses:</b>			
Administrative	29,086	42,630	71,716
Maintenance & Operations	78,002	98,668	176,670
Depreciation	29,632	267,363	296,995
Total Operating Expenses	136,720	408,661	545,381
Operating Income (Loss)	(7,249)	(169,154)	(176,403)
<b>Non-Operating Revenues (Expenses):</b>			
Interest Income	190	4,372	4,562
Interest Expense	(6,066)	(20,937)	(27,003)
Gain/(Loss) on Sale of Equipment	-	2,500	2,500
Total Non-Operating Revenue (Expenses)	(5,876)	(14,065)	(19,941)
Change in Net Assets	(13,125)	(183,219)	(196,344)
Net Assets - October 1,	979,238	7,349,278	8,328,516
Net Assets - September 30,	\$ 966,113	7,166,059	8,132,172

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

**CITY OF DOVER**  
**Statement of Cash Flows**  
**All Proprietary Funds**  
**Year Ended September 30, 2012**

	Proprietary Fund Types		
	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers and Users	\$ 131,287	242,198	373,485
Payments to Employees	(55,651)	(66,096)	(121,747)
Payments to Suppliers	(57,043)	(73,744)	(130,787)
Net Cash Provided by Operating Activities	18,593	102,358	120,951
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from Sale of Capital Assets	2,000	6,200	8,200
Purchase of Capital Assets	(1,221)	(2,000)	(3,221)
Repayment on Revenue Bonds & Notes Payable	(10,723)	(28,484)	(39,207)
Due to/from Other Funds	(1,636)	(46,097)	(47,733)
Interest Paid on Long Term Liabilities	(6,174)	(35,155)	(41,329)
Net Cash Used by Capital and Related Financing Activities	(17,754)	(105,536)	(123,290)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments	-	(2,147)	(2,147)
Interest on Bank Balances	269	5,384	5,653
Net Cash Provided by Investing Activities	269	3,237	3,506
Net Increase in Cash and Cash Equivalents	1,108	59	1,167
Cash and Cash Equivalents, October 1,	20,458	36,149	56,607
Cash and Cash Equivalents, September 30,	\$ 21,566	36,208	57,774
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:</b>			
Operating Income (Loss)	\$ (7,249)	(169,154)	(176,403)
Adjustments to Reconcile to Cash Flow:			
Depreciation	29,632	267,363	296,995
(Increase)/Decrease in Accounts Receivable	932	1,808	2,740
Increase/(Decrease) in Accounts Payable & Accruals	(5,606)	1,458	(4,148)
Increase/(Decrease) in Customer Deposits	884	883	1,767
Total Adjustments	25,842	271,512	297,354
Net Cash Provided by Operating Activities	\$ 18,593	102,358	120,951

See accompanying notes to financial statements and auditors' report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

**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 assets 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 notes 3 and 7). 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 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.

See accompanying auditors' report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

**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.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

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 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 as fair market value as of September 30, 2012. 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.

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.

For presentation in the financial statements, investments in the cash management pool and investments with original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

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

Receivables and Payables

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

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

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

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.

Compensated Absences

Employees eligible for leave include full-time equivalent employees. The policy provides for two weeks paid leave. As of September 30, 2012, compensated absences payable for governmental activities and business-type activities were \$739 and \$3,187, respectively.

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.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

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

Capital Assets – (Continued)

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

Fund Balance Reserves

The City has the ability to reserve those portions of fund equity that are legally segregated for a specific future use or that do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates the portion of fund equity that is available for appropriation in future periods. Restricted resources are used first to fund appropriations as necessary.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets (net of related debt) 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 assets are 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

Summary of Deposit and Investment Balances

Following is a reconciliation of the City’s deposit and investment balances as of September 30, 2012:

	Pooled Cash And Investments	Other	Total
Bank Deposits	\$ -	226,295	\$ 226,295
Investments (net)	517,682	-	517,682
Cash on Hand	-	-	-
<b>Total</b>	<b>\$ 517,682</b>	<b>226,295</b>	<b>\$ 743,977</b>

See accompanying auditors’ report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 2 – DEPOSITS AND INVESTMENT BALANCES – (CONTINUED)**

	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Fund Balance	Total
Cash	\$ 226,295	-	\$ 226,295
Investments	517,682	-	517,682
<b>Total</b>	<b>\$ 743,977</b>	<b>-</b>	<b>\$ 743,977</b>

Cash Deposits

As of September 30, 2012, the carrying amount of the City’s bank deposits was \$226,295 and the respective bank balances totaled \$230,854. Of the total bank balance, all 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 \$1,303 as of September 30, 2012.

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.
- (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.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 2 – DEPOSITS AND INVESTMENT BALANCES – (CONTINUED)**

The following schedule classifies the investments of the City as of September 30, 2012, into the above noted categories:

	Category			Carrying Amount
	1	2	3	
Certificates of Deposit	\$ 50,941	-	-	\$ 50,941
Investment in Local Govt Pool	466,741	-	-	466,741
<b>Total Investments</b>	<b>\$ 517,682</b>	<b>-</b>	<b>-</b>	<b>\$ 517,682</b>

**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, 2012, the note is earning interest at the rate of .20%.

The City loaned an additional \$174,095 to the Dover Urban Renewal Agency with a revolving subordinated 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, 2012 the note is earning interest at the rate of .20%.

Total interest earned on these notes for the year ended September 30, 2012 is \$2,330.

**NOTE 4 – RECEIVABLES**

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

Year	Balance 9/30/11	Levy 2010	Adjustments & Collections	Balance 9/30/12
2009 - 2011	\$ 5,328	69,201	(70,449)	\$ 4,080

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, 2012 is as follows:

Taxes due at September 30, 2012	\$ 4,080
Received October 2012	(13)
Received November 2012	(100)
<b>Total</b>	<b>\$ 3,967</b>

See accompanying auditors’ report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

NOTE 4 – RECEIVABLES – (CONTINUED)

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

	General	Streets
State Revenue Sharing	\$ 16,262	-
Highway Users	-	4,484
State Liquor	3,897	-
Road & Bridge	-	17
Franchise Fees	1,547	-
Miscellaneous	50	-
Total	<u>\$ 21,756</u>	<u>4,501</u>

The Transportation Department reflects \$16,344 of Grant Income receivable as of September 30, 2012.

PROPRIETARY FUNDS:

	Water	Sewer	Total
User Fees Receivable (net)	<u>\$ 10,241</u>	<u>19,880</u>	<u>30,121</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities</b>				
<i>Capital Assets being depreciated</i>				
Machinery & Equipment	\$ 769,870	25,977	(12,700)	783,147
Total Capital Assets being depreciated	769,870	25,977	(12,700)	783,147
Less accumulated depreciation for:				
Machinery & Equipment	(117,895)	(35,398)	12,700	(140,593)
Total accumulated depreciation	(117,895)	(35,398)	12,700	(140,593)
Total capital assets being depreciated	651,975	(9,421)	-	642,554
Governmental Activities Capital Assets, net	<u>\$ 651,975</u>	<u>(9,421)</u>	<u>-</u>	<u>642,554</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.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

NOTE 5 – CAPITAL ASSETS – (CONTINUED)

The changes in capital assets used in business-type activities during fiscal year 2011/12 were as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<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	9,492,999	-	-	9,492,999
Machinery & Equipment	31,957	1,221	(12,000)	21,178
Total capital assets being depreciated	9,524,956	1,221	(12,000)	9,514,177
Less accumulated depreciation	1,892,208	296,995	(8,300)	2,180,903
Capital assets being depreciated, net	7,632,748	(295,774)	(3,700)	7,333,274
Business-type Activities Capital Assets, net	<u>\$ 7,806,889</u>	<u>(295,774)</u>	<u>(3,700)</u>	<u>7,507,415</u>

Depreciation expense was charged to function as follows:

<b>Governmental Activities:</b>	
Unallocated	\$ 35,398
Sub-Total	<u>35,398</u>
<b>Business-Type Activities:</b>	
Water	29,632
Sewer	267,363
Sub-Total	<u>296,995</u>
Total Depreciation Expense	<u>\$ 332,393</u>

NOTE 6 – LONG-TERM OBLIGATIONS

Changes in long-term debt during fiscal year 2011/12 are as follows:

	<u>10/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/12</u>
<b>Business-Type Activities</b>				
Bonds Payable	\$ 464,878	-	(39,207)	425,671

Accrued but unpaid interest on outstanding bonds payable as of September 30, 2012 is \$1,516.

See accompanying auditors' report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

NOTE 6 – LONG-TERM OBLIGATIONS – (CONTINUED)

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2012, are as follows:

Business-Type Activities	Bonds and Notes	
	Principal	Interest
Year Ended September 30		
2013	41,269	20,512
2014	43,371	18,410
2015	45,580	16,201
2016	47,009	14,772
2017	50,341	11,440
2018-2021	198,101	49,023
	\$ 425,671	130,358

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

Interfund Balances to/from other funds for the year ended September 30, 2012 consisted of the following:

Loan to the General Fund from the Sewer Fund	\$ (267,598)
Loan from the Sewer Fund to the General Fund	267,598
Loan to the Street Fund from the Sewer Fund	20,032
Loan from the Sewer Fund to the Street Fund	(20,032)
Loan to the Water Fund from the Sewer Fund	(307,769)
Loan from the Sewer Fund to the Water Fund	307,769
Loan to the Transportation Fund from the Sewer Fund	15,117
Loan from the Sewer Fund to the Transportation Fund	(15,117)
Total	\$ -

The interfund balances listed above are due in large part to the repayment to DURA for sewer system improvements. The sewer fund borrowed monies from other funds to pay for these improvements. Other balances are 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).

See accompanying auditors' report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 8 – RISK MANAGEMENT – (CONTINUED)**

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 2011/12, the City contributed \$5,742 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 2011/12, the City contributed \$9,394 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)

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, 2011, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The City of Dover's employer contributions required and paid were \$22,804, \$16,079, and \$11,972, for the three years ended September 30, 2012, 2010, and 2010, respectively.

**NOTE 10 – RESTRICTED NET ASSETS**

As of these financial statements, the City has adopted GASB Statement No. 54, 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.

See accompanying auditors' report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 10 – RESTRICTED NET ASSETS – (CONTINUED)**

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 City Council or the Assignment has been changed by the City Council. 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.

**NOTE 11 – JOINTLY GOVERNED ORGANIZATION**

During fiscal year 2010/11 the City entered into a jointly governed organization with the City of Sandpoint, the City of Kootenai, and the City of Ponderay to fund the SPOT transportation system also known as Selkirk Pend Oreille Transit (SPOT). The purpose of this organization is to cooperatively provide transportation and mobility services. The original agreement of understanding expired in March 2012, and was extended by the participants shortly thereafter. The City has agreed to manage the organization, which is reported on the City's governmental funds financial statements as the Transportation Fund. As of September 30, 2012, the City had received \$80,000 from the City of Sandpoint, \$300 from the City of Kootenai, and \$167,797 from the City of Ponderay on behalf of the SPOT transportation system, as required by the ITD grant awarded to the transportation system.

**NOTE 12 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains two enterprise funds, which provide water and sewer services. Segment information for the year is as follows:

**Condensed Statement of Net Assets:**

	<u>Water Fund</u>	<u>Sewer Fund</u>
Assets:		
Current Assets	\$ 31,920	108,546
Capital Assets, net	671,329	6,836,086
Other Assets	392,008	549,637
	<hr/>	<hr/>
Total Assets	1,095,257	7,494,269
Liabilities:		
Current Liabilities	24,011	48,941
Non-Current Liabilities	105,133	279,269
	<hr/>	<hr/>
Total Liabilities	129,144	328,210
Net Assets:		
Invested in Capital Assets, net of related debt	554,909	6,526,835
Restricted for Bond Retirement	16,896	44,884
Unrestricted	394,308	594,340
	<hr/>	<hr/>
Total Net Assets	<u>\$ 966,113</u>	<u>7,166,059</u>

See accompanying auditors' report.

**CITY OF DOVER**  
**Notes to Financial Statements**  
**September 30, 2012**

NOTE 12 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS – (CONTINUED)

**Condensed Statement of Revenues, Expenses and Changes in Net Assets:**

	<u>Water Funds</u>	<u>Sewer Funds</u>
Operating Revenues:		
Charges for Services	\$ 126,220	234,005
Other Operating Revenue	3,251	5,502
Depreciation Expense	(29,632)	(267,363)
Other Operating Expenses	(107,088)	(141,298)
	<u>                    </u>	<u>                    </u>
Operating (Loss) Income	(7,249)	(169,154)
Nonoperating Revenues (Expenses):		
Interest Income	190	4,372
Interest Expense	(6,066)	(20,937)
Gain/(Loss) on Sale of Equipment	-	2,500
	<u>                    </u>	<u>                    </u>
Total Nonoperating Revenues (Expenses)	(5,876)	(14,065)
Change in Net Assets	(13,125)	(183,219)
	<u>                    </u>	<u>                    </u>
Beginning Net Assets	979,238	7,349,278
	<u>                    </u>	<u>                    </u>
Ending Net Assets	<u>\$ 966,113</u>	<u>7,166,059</u>

**Condensed Statement of Cash Flows:**

	<u>Water Funds</u>	<u>Sewer Funds</u>
Net Cash Provided (Used) by:		
Operating Activities	\$ 18,593	102,358
Capital and Related Financing Activities	(17,754)	(105,536)
Investing Activities	269	3,237
	<u>                    </u>	<u>                    </u>
Net Increase	1,108	59
Beginning Cash and Cash Equivalents	20,458	36,149
	<u>                    </u>	<u>                    </u>
Ending Cash and Cash Equivalents	<u>\$ 21,566</u>	<u>36,208</u>

See accompanying auditors' report.

**CITY OF DOVER**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended September 30, 2012**

	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	\$ 69,201	69,201	69,309	-	-	-	-	-	-
Other Governmental	-	-	81,841	62,269	62,269	55,024	-	-	-
Interest	-	-	7,151	-	-	299	-	-	186
Other Income	182,590	182,590	85,055	-	-	-	-	-	-
Donations & Grants	-	-	-	-	-	-	-	-	407,604
Capital Funds	-	-	-	-	-	-	-	-	-
Carryover	12,164	12,164	12,164	-	-	-	-	-	-
Total Revenues	263,955	263,955	255,520	62,269	62,269	55,323	-	-	407,790
<b>Expenditures:</b>									
General Government	171,101	171,101	205,461	-	-	-	-	-	-
Highways and Streets	-	-	-	56,357	56,357	4,900	-	-	-
Transportation Department	-	-	-	-	-	-	-	-	324,477
Capital Expenditures	25,000	25,000	1,782	-	-	19,950	-	-	24,195
Total Expenditures	196,101	196,101	207,243	56,357	56,357	24,850	-	-	348,672
Excess of Revenues Over Expenditures	67,854	67,854	48,277	5,912	5,912	30,473	-	-	59,118
<b>Other Financing Sources (Uses):</b>									
Transfer to Other Funds	-	-	-	-	-	-	-	-	-
Gain/(Loss) on Sale of Assets	-	-	995	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	995	-	-	-	-	-	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	67,854	67,854	49,272	5,912	5,912	30,473	-	-	59,118
Fund Balance - October 1,	561,820	561,820	561,820	129,773	129,773	129,773	43,335	43,335	43,335
Fund Balance - September 30,	\$ 629,674	629,674	611,092	135,685	135,685	160,246	43,335	43,335	102,453
Adjustments to conform with GAAP:									
Carryover Balance included in Fund Balance			(12,164)			-			-
Fund Balance, end of year (GAAP basis)			598,928			160,246			102,453

See accompanying notes to financial statements and auditors' report.

**CITY OF DOVER**  
**Notes to Budget and Actual Schedule**  
**Year Ended September 30, 2012**

Budgets are adopted for the general, street, and enterprise 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 were no such expenditures in fiscal year 2012.

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 budget violations in the General Fund and Transportation Fund, where actual expenditures exceeded budgeted expenditures by approximately \$11,143 and \$348,672, respectively.



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**REPORT ON INTERNAL CONTROLOVER 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, each major fund, and the aggregate remaining fund information of the City of Dover, Idaho as of and for the year ended September 30, 2012, which collectively comprise the City of Dover, Idaho's basic financial statements and have issued our report thereon dated June 7, 2013. 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

Management of City of Dover, Idaho, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Dover, Idaho's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dover, Idaho's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*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 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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. #2012-4.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. #2012-2, #2012-3.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item #2012-1.

We also noted certain additional matters that we reported to management of the City of Dover, Idaho in a separate letter dated June 7, 2013.

The City of Dover, Idaho's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Dover, Idaho's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, 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

June 7, 2013

**CITY OF DOVER**  
**Schedule of Findings and Responses**  
**September 30, 2012**

2012-1

*Budgetary Noncompliance*

During fiscal year 2011-2012, the City's General Fund expenditures exceeded budgeted expenditures by approximately \$11,143. Additionally, the Transportation Fund expenditures exceeded budgeted expenditures by approximately \$348,672, as the City failed to budget for this fund altogether.

Criteria

Idaho State Law requires that a governmental fund's total expenditures not exceed total budgeted expenditures.

Condition

During fiscal year 2011-2012, the City's General Fund expenditures exceeded budgeted expenditures by approximately \$11,143. Additionally, the Transportation Fund expenditures exceeded budgeted expenditures by approximately \$348,672, as the City failed to budget for this fund altogether.

Effect

There is no financial effect of this issue; it is a state compliance matter.

Cause

The City failed to appropriately analyze their typical expenditures and planned expenditures for the fiscal year during the budgeting process.

Recommendations

Our recommendation for the City is to review prior years' actual expenditures and planned future expenditures during the budgeting process to produce a more accurate budget. Additionally, we recommend monitoring throughout the year actual expenditures in comparison to the budget in order to appropriately amend the budget when necessary.

Views of Responsible Officials

Monthly profit and loss statements and actual versus budget will be submitted by the Treasurer to the Council at monthly meetings.

2012-2

*Government Grant Revenue and Receivables*

The City did not properly adjust Transportation Fund grant revenues and grants receivable as of year end.

Criteria

The Transportation Fund is subject to the modified accrual basis of accounting. Per Statement 1 of the National Council on Governmental Accounting (NCGAS 1), government revenues are to be recognized when they become susceptible to accrual; that is, when they become both measureable and available to finance expenditures of the current period. Specific to this case, NCGAS 1 explains that a government may be able to measure revenues under cost-reimbursable grants based on applicable expenditures.

**CITY OF DOVER**  
**Schedule of Findings and Responses**  
**September 30, 2012**

Condition

The City did not accurately adjust Transportation Fund grant revenues and grants receivable as of year end.

Effect

The effect of this condition is that grants receivable were materially overstated by approximately \$37,206 and grant revenues were materially overstated by approximately \$37,206 in the Transportation Fund.

Cause

The City was recording grant revenues when received, rather than when susceptible to accrual, and was not adjusting year end receivables appropriately.

Recommendations

Our recommendation for the City is to measure revenues per their grant agreement to appropriately record grant revenues on the modified accrual basis of accounting, in addition to any related year end receivables.

Views of Responsible Officials

For fiscal year 2013-2014 SPOT payroll will be entered into grant receivables every monthly. The City pays for payroll only.

2012-3

*Various Proposed Audit Adjustments*

The following various accounts had significant audit adjustments recommended to the City: Accrued Wages Payable, Compensated Absences Payable, and Wage Expense; Investments and Interest Income; and Property Tax Receivable, Deferred Revenue, and Property Tax Revenue. These adjustments involve approximately 15 journal entries to the City's general ledger. The proposed adjustments decrease the net change in fund balance by approximately \$4,273 and increase the change in net assets by approximately \$419.

Criteria

Generally accepted accounting principles and government accounting standards require that assets, liabilities, fund balance/net assets, revenue, and expenses/expenditures be properly stated within the proper accounting period.

Condition

The following various accounts had significant audit adjustments recommended to the City: Accrued Wages Payable, Compensated Absences Payable, and Wage Expense; Investments and Interest Income; and Property Tax Receivable, Deferred Revenue, and Property Tax Revenue. These adjustments involve approximately 15 journal entries to the City's general ledger. The proposed adjustments decrease the net change in fund balance by approximately \$4,273 and increase the change in net assets by approximately \$419.

Effect

In our judgment, the omitted adjustments result in a \$4,273 overstatement of the net change in fund balance and a \$419 understatement of change in net assets.

**CITY OF DOVER**  
**Schedule of Findings and Responses**  
**September 30, 2012**

Cause

The City's accounting personnel did not properly review and adjust balance sheet accounts as necessary. Additionally, some transactions were miscoded by the accounting personnel.

Recommendations

Our recommendation for the City is to review the trial balance regularly and at year end, making adjustments to correct account balances as necessary.

Views of Responsible Officials

Monthly reviews of the balance sheet accounts as advised. Preparation of schedules when necessary.

2012-4

*Interfund Loans & Balances*

The City failed to properly monitor and record interfund activities throughout the year, resulting in material proposed adjustments to the City's interfund general ledger accounts. Additionally, the Sewer Fund's note payable to the General Fund was not adjusted, the related interest income and expense were not recorded, and the related interest receivable and payable were not adjusted.

Criteria

Government accounting standards require governmental entities to record interfund activities either as loans, reimbursements, or operating transfers. Loans between funds are treated as balance sheet transactions and should be reported in the borrowing fund's report as a liability and the loaning fund's reports as a receivable.

Condition

The City failed to properly monitor and record interfund activities throughout the year, resulting in material proposed adjustments to the City's interfund general ledger accounts. Additionally, the Sewer Fund's note payable to the General Fund was not adjusted, the related interest income and expense were not recorded, and the related interest receivable and payable were not adjusted.

Effect

Prior to incorporation of the proposed adjustments, the General Fund interfund receivable was understated by approximately \$48,804, the Street Fund interfund payable was understated by \$25,261, the Water Fund interfund receivable was understated by approximately \$1,636, and the Transportation Fund interfund payable was overstated by approximately \$26,331.

Additionally, the Sewer Fund's note payable to the General Fund was overstated by approximately \$46,098. Related to this note payable, Sewer Fund interest payable was overstated by approximately \$13,931 and interest expense was understated by approximately \$4,824. General Fund interest receivable was overstated by approximately \$12,840 and interest income was understated by approximately \$4,824.

Cause

The City is not monitoring interfund activities, including changes in interfund balances and any related effects on interest receivable or payable and interest income or expense.

**CITY OF DOVER**  
**Schedule of Findings and Responses**  
**September 30, 2012**

Recommendations

Our recommendation for the City is to more closely monitor interfund activities, making adjustments as necessary to interfund balances. We also recommend closely reviewing the Sewer Fund's loan, payable to the General Fund, to properly adjust for interest accruals, repayments or other decreases in balance, etc.

Views of Responsible Officials

Will review allocations of insurance and other expenses. Review for accurate journal entries (i.e. to interfund loan, requiring a double entry).