

CITY OF DOVER

AUDITED FINANCIAL STATEMENTS AND OTHER SUPPLEMENTARY INFORMATION

Year Ended September 30, 2013

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

Ronda Whittaker

Treasurer

Dagmar Breymann



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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, 2013, 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 amount 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 entity's preparation and fair presentation of the 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 entity'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, 2013, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2014, 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* in considering City of Dover, Idaho's internal control over financial reporting and compliance.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho
May 12, 2014

CITY OF DOVER
Statement of Net Position
September 30, 2013

	Primary Government			Component Unit
	Government Activities	Business-Type Activities	Total	Urban Renewal Agency
ASSETS				
Current Assets:				
Cash & Cash Equivalents	\$ 879,090	78,222	957,312	180,957
Investments	-	51,714	51,714	-
Receivables:				
Property Taxes (net)	2,192	-	2,192	17,840
Other Governments (net)	26,177	-	26,177	-
Grants Receivable	54,613	-	54,613	-
Other	-	28,764	28,764	-
Interest	2,059	1,353	3,412	-
Total Current Assets	964,131	160,053	1,124,184	198,797
Land	-	174,141	174,141	-
Capital Assets, net	607,192	7,061,669	7,668,861	-
Total Capital Assets	607,192	7,235,810	7,843,002	-
Other Assets:				
Interfund Balances	107,750	(107,750)	-	-
DURA Note Receivable	-	1,208,914	1,208,914	(1,208,914)
Restricted Cash	-	-	-	550,000
Bond Fees (net)	-	-	-	38,542
Total Other Assets	107,750	1,101,164	1,208,914	(620,372)
Total Assets	\$ 1,679,073	8,497,027	10,176,100	(421,575)
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 26,697	11,958	38,655	1,219
Payroll, Benefits, and Taxes Payable	29,374	7,752	37,126	-
Interest Payable	-	3,481	3,481	99,181
Deferred Tax Revenue	-	-	-	-
Customer Deposits	-	10,616	10,616	-
Compensated Absences Payable	-	5,411	5,411	-
Payable to DURA- Hookup Fees	-	34,819	34,819	(34,819)
Current Portion of Long Term Debt	-	41,267	41,267	239,458
Total Current Liabilities	56,071	115,304	171,375	305,039
Long Term Liabilities	-	343,136	343,136	6,546,232
Total Liabilities	56,071	458,440	514,511	6,851,271
NET POSITION				
Net Investment in Capital Assets	607,192	6,851,407	7,458,599	-
Restricted	-	61,780	61,780	550,000
Unrestricted	1,015,810	1,125,400	2,141,210	(7,822,846)
Total Net Position	\$ 1,623,002	8,038,587	9,661,589	(7,272,846)

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

CITY OF DOVER
Statement of Activities
Year Ended September 30, 2013

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities								
General Government	\$ 222,097	-	-	-	(222,097)	-	(222,097)	
Highway and Streets	19,373	-	-	-	(19,373)	-	(19,373)	
Transportation	354,300	-	-	422,863	68,563	-	68,563	
Depreciation - Unallocated	36,130	-	-	-	(36,130)	-	(36,130)	
Total Governmental Activities	631,900	-	-	422,863	(209,037)	-	(209,037)	
Business-type Activities								
Water Service	139,203	169,192	-	-	-	29,989	29,989	
Sewer Service	416,554	289,981	-	-	-	(126,573)	(126,573)	
Total Business-type Activities	555,757	459,173	-	-	-	(96,584)	(96,584)	
Total primary government	\$ 1,187,657	459,173	-	422,863	(209,037)	(96,584)	(305,621)	
Component Units:								
Dover Urban Renewal Agency	345,929	-	-	-				(345,929)
Total component units	\$ 345,929	-	-	-				(345,929)
General Revenues:								
Property Taxes					\$ 68,531	-	68,531	574,215
Other Governmental					147,715	-	147,715	-
Interest Earnings					3,362	2,999	6,361	1,217
Other Revenues					105,022	-	105,022	3,791
Gain/(Loss) on Sale of Assets					-	-	-	-
Total General Revenues and Transfers					324,630	2,999	327,629	579,223
Change in Net Position					115,593	(93,585)	22,008	233,294
Net Position- Beginning					1,507,409	8,132,172	9,639,581	(7,506,140)
Net Position- Ending					\$ 1,623,002	8,038,587	9,661,589	(7,272,846)

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

CITY OF DOVER
Balance Sheet
Governmental Funds
September 30, 2013

	General Fund	Street Fund	Transportation Fund	Total
ASSETS				
Cash & Investments	\$ 510,489	178,183	190,418	879,090
Receivables:				
Property Taxes	2,192	-	-	2,192
Other Governments	21,702	4,416	59	26,177
Grants Receivable	-	-	54,613	54,613
Interest	2,059	-	-	2,059
Interfund Balances	137,280	17,584	(47,114)	107,750
Total Assets	<u>\$ 673,722</u>	<u>200,183</u>	<u>197,976</u>	<u>1,071,881</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 15,199	315	11,183	26,697
Payroll, Benefits and Taxes Payable	13,810	78	15,486	29,374
Deferred Revenue	1,571	-	-	1,571
Total Liabilities	<u>30,580</u>	<u>393</u>	<u>26,669</u>	<u>57,642</u>
FUND EQUITY				
Assigned:				-
Street Fund	-	199,790	-	199,790
Transportation Fund	-	-	171,307	171,307
Unassigned	643,142	-	-	643,142
Total Fund Equity	<u>643,142</u>	<u>199,790</u>	<u>171,307</u>	<u>1,014,239</u>
Total Liabilities and Fund Equity	<u>\$ 673,722</u>	<u>200,183</u>	<u>197,976</u>	<u>1,071,881</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION:				
Total fund equity reported above				\$ 1,014,239
Add capital assets not reported above			783,914	
Less accumulated depreciation			(176,722)	
Net Capital Assets			<u>607,192</u>	
Deduct compensated absences payable not reported above				-
Deferred revenues for property taxes and franchise fees receivable				1,571
Net Position				<u>\$ 1,623,002</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, 2013

	General Fund	Street Fund	Transportation Fund	Total
Revenues:				
Property Taxes	\$ 70,927	-	-	70,927
Other Governmental	88,931	58,784	-	147,715
Interest	2,997	133	232	3,362
Other Income	104,963	-	59	105,022
Donations & Grants	-	-	422,863	422,863
Total Revenues	267,818	58,917	423,154	749,889
Expenditures:				
General Government	222,836	-	-	222,836
Highways and Streets	-	19,373	-	19,373
Transportation Department	-	-	354,300	354,300
Capital Expenditures	768	-	-	768
Total Expenditures	223,604	19,373	354,300	597,277
Excess of Revenues Over Expenditures	44,214	39,544	68,854	152,612
Other Sources (Uses):				
Transfers from Other Funds	-	-	-	-
Gain/(Loss) on Sale of Assets	-	-	-	-
Total Other Sources (Uses)	-	-	-	-
Net Change in Fund Balance	44,214	39,544	68,854	152,612
Fund Balance - October 1,	598,928	160,246	102,453	861,627
Fund Balance - September 30,	\$ 643,142	199,790	171,307	1,014,239

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, 2013

Changes in fund balances as reported on the governmental funds statements		\$ 152,612
Decrease in current property taxes not reflected in revenue on the governmental funds statements		(2,396)
Expenses on the governmental fund statement not included on the government-wide statement of activity:		
Capital Asset Purchase	768	
Total expenses on the governmental fund statement not included on the government-wide statement		768
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	(36,130)	
Compensated Absences	739	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(35,391)
Change in net position on the government-wide statements		\$ 115,593

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

CITY OF DOVER
Statement of Net Position
All Proprietary Funds
September 30, 2013

	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT ASSETS:			
Cash & Cash Equivalents	\$ 23,837	54,385	78,222
Investments	-	51,714	51,714
Accounts Receivable (net)	9,780	18,984	28,764
Interest Receivable	95	1,258	1,353
Total Current Assets	33,712	126,341	160,053
Land	5,600	168,541	174,141
Capital Assets	1,161,017	8,377,876	9,538,893
Accumulated Depreciation	(500,580)	(1,976,644)	(2,477,224)
Total Capital Assets	666,037	6,569,773	7,235,810
OTHER ASSETS:			
Interfund Balances	332,547	(440,297)	(107,750)
DURA Note Receivable	101,087	1,107,827	1,208,914
Total Other Assets	433,634	667,530	1,101,164
TOTAL ASSETS	\$ 1,133,383	7,363,644	8,497,027
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	\$ 4,149	7,809	11,958
Payroll, Benefits, & Taxes Payable	3,401	4,351	7,752
Interest Payable	389	3,092	3,481
Customer Deposits	5,308	5,308	10,616
Compensated Absences	1,885	3,526	5,411
Payable to DURA- Hookup Fees	16,848	17,971	34,819
Current Portion of Long Term Debt	11,286	29,981	41,267
Total Current Liabilities	43,266	72,038	115,304
LONG TERM LIABILITIES:			
Notes Payable, net of current portion	93,847	249,289	343,136
Total Long Term Liabilities	93,847	249,289	343,136
TOTAL LIABILITIES	137,113	321,327	458,440
NET POSITION			
Net Investment in Capital Assets	560,904	6,290,503	6,851,407
Restricted:			
Expendable:			
Restricted for debt covenants	16,896	44,884	61,780
Unrestricted	418,470	706,930	1,125,400
Total Net Position	\$ 996,270	7,042,317	8,038,587

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, 2013

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 128,964	236,749	365,713
Hookups & Other	33,228	53,232	86,460
Grant Income	7,000	-	7,000
Total Operating Revenues	169,192	289,981	459,173
Operating Expenses:			
Administrative	10,913	12,307	23,220
Maintenance & Operations	92,698	121,041	213,739
Depreciation	30,008	266,313	296,321
Total Operating Expenses	133,619	399,661	533,280
Operating Income (Loss)	35,573	(109,680)	(74,107)
Non-Operating Revenues (Expenses):			
Interest Income	168	2,831	2,999
Interest Expense	(5,584)	(16,893)	(22,477)
Gain/(Loss) on Sale of Equipment	-	-	-
Total Non-Operating Revenue (Expenses)	(5,416)	(14,062)	(19,478)
Change in Net Position	30,157	(123,742)	(93,585)
Net Position - October 1,	966,113	7,166,059	8,132,172
Net Position - September 30,	\$ 996,270	7,042,317	8,038,587

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

CITY OF DOVER
Statement of Cash Flows
All Proprietary Funds
Year Ended September 30, 2013

	Proprietary Fund Types		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers and Users	\$ 170,202	291,427	461,629
Payments to Employees	(55,761)	(61,403)	(117,164)
Payments to Suppliers	(45,965)	(69,359)	(115,324)
Net Cash Provided by Operating Activities	68,476	160,665	229,141
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Due to/from Other Funds	(24,778)	(99,922)	(124,700)
Net Cash Used by Noncapital Financing Activities	(24,778)	(99,922)	(124,700)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Sale of Capital Assets	-	-	-
Purchase of Capital Assets	(24,716)	-	(24,716)
Repayment on Revenue Bonds & Notes Payable	(11,287)	(29,981)	(41,268)
Interest Paid on Long Term Liabilities	(5,610)	(14,902)	(20,512)
Net Cash Used by Capital and Related Financing Activities	(41,613)	(44,883)	(86,496)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	-	(773)	(773)
Interest on Bank Balances	186	3,090	3,276
Net Cash Provided by Investing Activities	186	2,317	2,503
Net Increase in Cash and Cash Equivalents	2,271	18,177	20,448
Cash and Cash Equivalents, October 1,	21,566	36,208	57,774
Cash and Cash Equivalents, September 30,	\$ 23,837	54,385	78,222
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:			
Operating Income (Loss)	\$ 35,573	(109,680)	(74,107)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Cash flows reported in other categories:			
Depreciation	30,008	266,313	296,321
Change in assets and liabilities:			
Accounts Receivable	461	896	1,357
Accounts Payable & Accruals	1,885	2,586	4,471
Customer Deposits	549	550	1,099
Net Cash Provided by Operating Activities	\$ 68,476	160,665	229,141

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

CITY OF DOVER
Notes to Financial Statements
September 30, 2013

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 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 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, 2013

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, 2013

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.

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, 2013. 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, 2013

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, 2013, compensated absences payable for governmental activities and business-type activities were \$0 and \$5,411, 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, 2013

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 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

Summary of Deposit and Investment Balances

Following is a reconciliation of the City’s deposit and investment balances as of September 30, 2013:

	Pooled Cash And Investments	Other	Total
Bank Deposits	\$ -	957,312	\$ 957,312
Investments (net)	51,714	-	51,714
Cash on Hand	-	-	-
Total	\$ 51,714	957,312	\$ 1,009,026

See accompanying independent auditors’ report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES – (CONTINUED)

	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Fund Balance	Total
Cash	\$ 957,312	-	\$ 957,312
Investments	51,714	-	51,714
Total	\$ 1,009,026	-	\$ 1,009,026

Cash Deposits

As of September 30, 2013, the carrying amount of the City’s bank deposits was \$957,312 and the respective bank balances totaled \$959,993. Of the total bank balance, \$216,272 was not 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.

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 Idaho State Investment Pool does not include any involuntary participants. The balances 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 \$1,539 as of September 30, 2013.

GASB Statement No. 40 requires the City to assign risk categories to its investments, except those in which securities are not used as evidence of the investment. The short-term investment pools are not evidenced by securities that exist in physical or book entry for and accordingly, are not categorized for credit risk. 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.

See accompanying independent auditors’ report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES – (CONTINUED)

The following schedule classifies the investments of the City as of September 30, 2013, into the above noted categories:

	Category			Carrying Amount
	1	2	3	
Certificates of Deposit	\$ 51,714	-	-	\$ 51,714
Total Investments	\$ 51,714	-	-	\$ 51,714

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, 2013, the note is earning interest at the rate of 0.17%.

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 was increased during the current fiscal year 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, 2013 the note is earning interest at the rate of 0.17 %.

Total interest earned on these notes for the year ended September 30, 2013 is \$2,147.

NOTE 4 – RECEIVABLES

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

Year	Balance 9/30/12	Levy 2012	Adjustments & Collections	Balance 9/30/13
2011 - 2012	\$ 4,080	71,869	(73,757)	\$ 2,192

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, 2013 is as follows:

Taxes due at September 30, 2013	\$ 2,192
Received October 2013	(28)
Received November 2013	(593)
Total	\$ 1,571

See accompanying independent auditors’ report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2013

NOTE 4 – RECEIVABLES – (CONTINUED)

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

	General	Streets	Transportation
State Revenue Sharing	\$ 16,024	-	-
Highway Users	-	4,399	-
State Liquor	4,026	-	-
Road & Bridge	-	17	-
Franchise Fees	1,602	-	-
Miscellaneous	50	-	59
Total	\$ 21,702	4,416	59

The Transportation Department reflects \$54,613 of Grant Income receivable as of September 30, 2013.

PROPRIETARY FUNDS:	Water	Sewer	Total
User Fees Receivable (net)	\$ 9,780	18,984	28,764

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
<i>Capital Assets being depreciated</i>				
Machinery & Equipment	\$ 783,147	768	-	783,915
Total Capital Assets being depreciated	783,147	768	-	783,915
Less accumulated depreciation for:				
Machinery & Equipment	(140,593)	(36,130)	-	(176,723)
Total accumulated depreciation	(140,593)	(36,130)	-	(176,723)
Total capital assets being depreciated	642,554	(35,362)	-	607,192
Governmental Activities Capital Assets, net	\$ 642,554	(35,362)	-	607,192

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, 2013

NOTE 5 – CAPITAL ASSETS – (CONTINUED)

The changes in capital assets used in business-type activities during fiscal year 2012/13 were as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 174,141	-	-	174,141
Total capital assets not being depreciated	174,141	-	-	174,141
<i>Capital assets being depreciated</i>				
Improvements	9,492,998	24,717	-	9,517,715
Machinery & Equipment	21,178	-	-	21,178
Total capital assets being depreciated	9,514,176	24,717	-	9,538,893
Less accumulated depreciation	(2,180,903)	(296,321)	-	(2,477,224)
Capital assets being depreciated, net	7,333,273	(271,604)	-	7,061,669
Business-type Activities Capital Assets, net	<u>\$ 7,507,414</u>	<u>(271,604)</u>	-	<u>7,235,810</u>

Depreciation expense was charged to function as follows:

Governmental Activities:	
Unallocated	\$ 36,130
Sub-Total	<u>36,130</u>
Business-Type Activities:	
Water	30,008
Sewer	266,313
Sub-Total	<u>296,321</u>
Total Depreciation Expense	<u>\$ 332,451</u>

NOTE 6 – LONG-TERM OBLIGATIONS

Changes in long-term debt during fiscal year 2012/13 are as follows:

	<u>10/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>09/30/13</u>
Business-Type Activities				
Bonds Payable	\$ 425,670	-	(41,267)	384,403

Accrued but unpaid interest on outstanding bonds payable as of September 30, 2013 is \$1,422.

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2013

NOTE 6 – LONG-TERM OBLIGATIONS – (CONTINUED)

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2013, are as follows:

Business-Type Activities	Bonds and Notes	
	Principal	Interest
Year Ended September 30		
2014	43,365	18,416
2015	45,575	16,206
2016	47,897	13,884
2017	50,337	11,444
2018	52,901	8,880
2019-2021	144,328	10,106
	\$ 384,403	78,936

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

Interfund Balances to/from other funds for the year ended September 30, 2013 consisted of the following:

Fund	Receivable	Payable
General Fund	137,280	-
Street Fund	17,584	-
Transportation Fund	-	47,114
Water Fund	332,547	-
Sewer Fund	-	440,297
Total	\$ 487,411	487,411

The General Fund, Street Fund, and Water Fund receivables are due in large part to Sewer Fund system improvements completed in 2008, for which the Sewer Fund did not have the monies. The Sewer Fund borrowed monies from other funds to pay for these improvements and owes a balance of \$440,297. Additionally, a portion of the General Fund receivable is due to payment of operating expenses for the Transportation Fund, resulting in the Transportation Fund's \$47,114 interfund payable. The City also 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).

CITY OF DOVER
Notes to Financial Statements
September 30, 2013

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 2012/13, the City contributed \$6,865 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 2012/13, the City contributed \$18,854 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

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, 2013, 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 \$19,179, \$22,563, and \$16,079, for the three years ended September 30, 2013, 2012, and 2011, respectively.

NOTE 10 – RESTRICTED NET POSITION

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 independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2013

NOTE 10 – RESTRICTED NET POSITION – (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, 2013, the City had received a total of \$150,000 from the City of Sandpoint, \$800 from the City of Kootenai, and \$308,899 from the City of Ponderay on behalf of the SPOT transportation system, as required by the ITD grant awarded for 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 Position:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Assets:		
Current Assets	\$ 33,712	126,341
Capital Assets, net	666,037	6,569,773
Other Assets	433,634	667,530
	<hr/>	<hr/>
Total Assets	1,133,383	7,363,644
Liabilities:		
Current Liabilities	43,266	72,038
Non-Current Liabilities	93,847	249,289
	<hr/>	<hr/>
Total Liabilities	137,113	321,327
Net Position:		
Net Investment in Capital Assets	560,904	6,290,503
Restricted for Bond Retirement	16,896	44,884
Unrestricted	418,470	706,930
	<hr/>	<hr/>
Total Net Position	<u>\$ 996,270</u>	<u>7,042,317</u>

See accompanying independent auditors' report.

CITY OF DOVER
Notes to Financial Statements
September 30, 2013

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

Condensed Statement of Revenues, Expenses and Changes in Net Position:

	<u>Water Funds</u>	<u>Sewer Funds</u>
Operating Revenues:		
Charges for Services	\$ 128,964	236,749
Other Operating Revenue	40,228	53,232
Depreciation Expense	(30,008)	(266,313)
Other Operating Expenses	(103,611)	(133,348)
	<u>35,573</u>	<u>(109,680)</u>
Operating (Loss) Income		
Nonoperating Revenues (Expenses):		
Interest Income	168	2,831
Interest Expense	(5,584)	(16,893)
Gain/(Loss) on Sale of Equipment	-	-
	<u>(5,416)</u>	<u>(14,062)</u>
Total Nonoperating Revenues (Expenses)		
Change in Net Position	30,157	(123,742)
	<u>966,113</u>	<u>7,166,059</u>
Beginning Net Position		
Ending Net Position	<u>\$ 996,270</u>	<u>7,042,317</u>

Condensed Statement of Cash Flows:

	<u>Water Funds</u>	<u>Sewer Funds</u>
Net Cash Provided (Used) by:		
Operating Activities	\$ 68,476	160,665
Noncapital Financing Activities	(24,778)	(99,922)
Capital and Related Financing Activities	(41,613)	(44,883)
Investing Activities	186	2,317
	<u>2,271</u>	<u>18,177</u>
Net Increase		
Beginning Cash and Cash Equivalents	21,566	36,208
	<u>21,566</u>	<u>36,208</u>
Ending Cash and Cash Equivalents	<u>\$ 23,837</u>	<u>54,385</u>

See accompanying independent auditors' report.

CITY OF DOVER
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended September 30, 2013

	General Fund			Street Fund			Transportation Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:									
Property Taxes	\$ 71,866	71,866	70,927	-	-	-	-	-	-
Other Governmental	4,846	4,846	88,931	68,598	68,598	58,784	-	-	-
Interest	-	-	2,997	-	-	133	-	-	232
Other Income	184,296	184,296	104,963	-	-	-	-	-	59
Donations & Grants	-	-	-	-	-	-	540,031	540,031	422,863
Capital Funds	-	-	-	-	-	-	-	-	-
Carryover	(59,388)	(59,388)	(59,388)	-	-	-	-	-	-
Total Revenues	201,620	201,620	208,430	68,598	68,598	58,917	540,031	540,031	423,154
Expenditures:									
General Government	202,649	202,649	222,836	-	-	-	-	-	-
Highways and Streets	-	-	-	68,598	68,598	19,373	-	-	-
Transportation Department	-	-	-	-	-	-	540,031	540,031	354,300
Capital Expenditures	-	-	768	-	-	-	-	-	-
Total Expenditures	202,649	202,649	223,604	68,598	68,598	19,373	540,031	540,031	354,300
Excess of Revenues Over Expenditures	(1,029)	(1,029)	(15,174)	-	-	39,544	-	-	68,854
Other Financing Sources (Uses):									
Gain/(Loss) on Sale of Assets	-	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(1,029)	(1,029)	(15,174)	-	-	39,544	-	-	68,854
Fund Balance - October 1,	598,928	598,928	598,928	160,246	160,246	160,246	102,453	102,453	102,453
Fund Balance - September 30,	\$ 597,899	597,899	583,754	160,246	160,246	199,790	102,453	102,453	171,307
Adjustments to conform with GAAP:									
Carryover Balance included in Fund Balance			59,388			-			-
Fund Balance, end of year (GAAP basis)			<u>643,142</u>			<u>199,790</u>			<u>171,307</u>

See accompanying notes to budget and independent auditors' report.

CITY OF DOVER
Notes to Budget and Actual Schedule
Year Ended September 30, 2013

Budgets are adopted for the general, street, transportation, 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 was one budget amendment in the current fiscal year, made to correct previously omitted budgeted expenses for the Sewer Fund.

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 was a budget violation in the General Fund, where actual expenditures exceeded budgeted expenditures by approximately \$20,955.



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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***

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, 2013, 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 May 12, 2014.

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.

#2013-2

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 #2013-1.

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 were 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
May 12, 2014

CITY OF DOVER
Schedule of Findings and Responses
September 30, 2013

2013-1

Budgetary Noncompliance

During fiscal year 2012-2013, the City's General Fund expenditures exceeded budgeted expenditures by approximately \$20,955.

Criteria

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

Condition

During fiscal year 2012-2013, the City's General Fund expenditures exceeded budgeted expenditures by approximately \$20,955.

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

Zach Spohn of James Hutchens CPA has been assigned to oversee all transactions relating to the City of Dover regarding budget and actuals and monitoring. He will be apprising Council of actual vs. budget, keeping all records, and is currently directing the 2014-2015 budgetary process.

2013-2

Absence of Adequate Supporting Documentation- Proprietary Funds

The City was unable to provide documentation supporting their year-end proprietary funds accounts receivable balances.

Criteria

The City is required to provide adequate supporting documentation for all transactions and accounts balances.

Condition

The City was unable to provide documentation supporting their year-end proprietary funds accounts receivable balances.

CITY OF DOVER
Schedule of Findings and Responses
September 30, 2013

Effect

Proprietary fund accounts receivable and revenues were potentially misstated for fiscal year 2012-2013.

Cause

The City did not properly retain records supporting their fiscal year 2012-2013 proprietary funds account balances and transactions.

Recommendations

Our recommendation for the City is to maintain appropriate record supporting account balances and transactions.

Views of Responsible Officials

Zach Spohn of James Hutchens CPA has been contracted to oversee all transactions relating to the City of Dover and he will be monitoring the budget and apprising Council of actual vs. budget. All records will be kept appropriately.