

TOWN OF DOVER, TENNESSEE
FINANCIAL STATEMENTS
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
YEAR ENDED JUNE 30, 2011

TOWN OF DOVER, TENNESSEE
JUNE 30, 2011

Table of Contents

	<u>Page</u>
<u>Introductory Section</u>	
General Information	2
<u>Financial Section</u>	
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet-Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to The Statement of Activities	17
Statement of Net Assets-Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Fund	19
Statement of Cash Flows-Proprietary Fund	20
Budgetary Comparison Statement-General Fund	21
Budgetary Comparison Statement-State Street Aid	24
Notes to Financial Statements	25
Required Supplementary Information:	
Schedule of Funding Progress for Pension Plan	41
Supplementary Information:	
Budgetary Comparison Schedule- Sidewalk Project Fund	42
Non-Major Funds Combining Statements and Schedules:	
Combining Balance Sheet-Other Governmental Funds	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Other Governmental Funds	43
Budgetary Comparison Schedule- Special Revenue Funds	44
Budgetary Comparison Schedule- Capital Project Fund	45
Schedule of Expenditures of Federal and State Awards	46
Other Supplementary Information (Unaudited)	47
<u>Internal Control And Compliance Section</u>	
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	50
Schedule of Findings and Responses	52

TOWN OF DOVER, TENNESSEE
JUNE 30, 2011

General Information

A. General

The Town of Dover, Tennessee, is the county seat of Stewart County. Located approximately seventy-seven miles northwest of Nashville and thirty-two miles west of Clarksville, it is the principal trading center of the county.

The Town of Dover is only one mile from the Fort Donelson National Battlefield and three miles from Land Between the Lakes (LBL). LBL is a 170,000 acre outdoor recreation and environmental education area.

Stewart County's soil is suited to its principal farm activities and its major crops are corn, tobacco and hay. About 60% of the County's area is devoted to farming.

B. Population

The population of Dover is approximately 1,417 according to the latest estimate by Town officials. According to the U.S. Census Bureau, population in prior years was estimated as follows:

2010	1,417
2000	1,442
1990	1,341
1988	1,270
1980	1,197
1970	1,179
1960	536

C. Roster of Elected Public Officials

	<u>Office</u>	<u>Term Expiration</u>
Lesa Fitzhugh	Mayor	2014
Tim Barrow	Alderman	2012
Paul Berry	Alderman/Vice Mayor	2014
Dalton Bagwell	Alderman	2014
Terry Odom	Alderman	2012

D. Roster of Management Employees

Jimmy Scurlock	Administrator
Melinda Holliday	Clerk
Tony Miller	Water & Wastewater Superintendent
Kim Wallace	Police Chief
Rick Sheets	Fire Chief



THURMAN CAMPBELL GROUP, PLC
CERTIFIED PUBLIC ACCOUNTANTS

Members

American Institute of
Certified Public Accountants

Tennessee Society of
Certified Public Accountants

Kentucky Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Aldermen
Town of Dover
P.O. Box 447
Dover, Tennessee 37058

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 Town of Dover, Tennessee (the Town), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, as detailed in the Audit Manual. 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 opinion.

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 Town, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for General Fund and State Street Aid Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1(S) to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 5 through 10 and on page 41 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section, budgetary comparison schedule-sidewalk project, combining non-major fund financial statements and other supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as per requirements prescribed by the Comptroller of the Treasury, State of Tennessee, as detailed in the Audit Manual, and is also not a required part of the financial statements. The budgetary comparison schedule-sidewalk project, combining non-major fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Thurman Campbell Group, PLC

December 12, 2011

TOWN OF DOVER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2011

As management of the Town of Dover, Tennessee we offer readers of the Town of Dover, Tennessee's financial statements this narrative overview and analysis of the financial activities of the Town of Dover for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the Town of Dover's financial condition is strong. The Town is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- The assets of the Town of Dover exceeded liabilities at the close of the most recent fiscal year by \$5,634,231. Of this amount, \$832,131 (unrestricted net assets) may be used to meet the government's ongoing obligation to citizens and creditors. The Town's total net assets decreased by \$181,141.
- At June 30, 2011, the Town's governmental funds reported combined ending fund balances of \$897,565, an increase of \$2,630 in comparison with the prior year. While the General Fund increased its fund balance by \$26,134 other governmental funds had a net decrease of (\$23,504). The fund balances of \$897,565 are available for spending at the government's discretion for the General Fund (\$576,712), exclusively for State Street Aid purposes (\$102,358), and for other governmental funds (\$218,495).
- At June 30, 2011 unassigned fund balance for the General Fund was \$576,712, or 35% of total general fund expenditures. The restricted fund balance for the State Street Aid Fund was \$102,358, or 282% of total State Street Aid Fund expenditures.
- The Town's total long-term debt increased by \$535,701 during the year ended June 30, 2011. Of this amount, general funds issued long-term debt for fire department equipment for \$402,317. Payments on governmental long-term debt amounted to \$93,885; payments on total water and sewer debt amounted to \$56,176.
- The Town's capital assets increased by \$466,993 during the year ended June 30, 2011. This was due to land, infrastructure, construction in progress, and equipment acquisitions in both the governmental funds and in the Water and Sewer Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Town's financial condition and activities. Summary financial statement data, key financial and operational indicators, budget and other management tools were used for this analysis. The Town's basis financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basis financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents the financial position of the Town on a full accrual, historical cost basis. The statement of net assets provides information on all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, drug enforcement, parks and recreation, and interest on long-term debt. The business-type activities of the Town include the operations of sanitation services and the water and sewer facilities.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the state street aid fund, and the sidewalk capital fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriations budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Proprietary funds: The Town maintains two types of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sanitation services and for its water and sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Sanitation Fund and Water and Sewer activities of the Town, both of which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Notes to the financial statements: The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the Town's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The notes to the financial statements can be found on pages 25-40 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 41 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining fund statements and can be found on page 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Town of Dover, assets exceeded liabilities by \$5,634,231 at the close of fiscal year 2011.

By far the largest portion of the Town’s net assets (69.2%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF DOVER, TENNESSEE
CONDENSED STATEMENT OF NET ASSETS**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 1,558,641	\$ 1,500,759	\$ 906,673	\$ 866,860	\$ 2,465,314	2,367,619
Capital assets	<u>2,637,156</u>	<u>2,293,656</u>	<u>6,930,025</u>	<u>7,042,212</u>	<u>9,567,181</u>	<u>9,335,868</u>
Total assets	<u>4,195,797</u>	<u>3,794,415</u>	<u>7,836,698</u>	<u>7,909,072</u>	<u>12,032,495</u>	<u>11,703,487</u>
Long-term liabilities outstanding	2,179,808	1,866,390	3,450,049	3,508,030	5,629,857	5,374,420
Other liabilities	<u>504,211</u>	<u>430,708</u>	<u>264,196</u>	<u>82,988</u>	<u>768,407</u>	<u>513,696</u>
Total liabilities	<u>2,684,019</u>	<u>2,297,098</u>	<u>3,714,245</u>	<u>3,591,018</u>	<u>6,398,264</u>	<u>5,888,116</u>
Net Assets:						
Invested in capital assets, net of related debt	407,412	372,344	3,492,950	3,546,394	3,900,362	3,918,738
Restricted	320,853	344,357	580,885	587,028	901,738	931,385
Unrestricted	<u>783,513</u>	<u>780,616</u>	<u>48,618</u>	<u>184,632</u>	<u>832,131</u>	<u>965,248</u>
Total net assets	<u>\$ 1,511,778</u>	<u>\$ 1,497,317</u>	<u>\$ 4,122,453</u>	<u>\$ 4,318,054</u>	<u>\$ 5,634,231</u>	<u>\$ 5,815,371</u>

At year end \$901,738 of the Town’s net assets (16%) represented resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$832,131) may be used to meet the government’s ongoing obligations to citizens and creditors.

At June 30, 2011 the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

TOWN OF DOVER, TENNESSEE
CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 159,170	\$ 154,403	\$ 1,009,843	\$ 1,009,012	\$ 1,169,013	\$ 1,163,415
Operating grants and contributions	92,954	78,573	-	-	92,954	78,573
Capital grants and contributions	49,175	50,000	-	-	49,175	50,000
General Revenues:						
Local taxes	910,155	879,383	-	-	910,155	879,383
Intergovernmental	20,771	30,625	-	-	20,771	30,625
Interest on investments	2,243	3,937	5,905	5,446	8,148	9,383
Other	123,429	95,091	801	-	124,230	95,091
Total revenues	<u>1,357,897</u>	<u>1,292,012</u>	<u>1,016,549</u>	<u>1,014,458</u>	<u>2,374,446</u>	<u>2,306,470</u>
Expenses:						
General government	519,104	479,448	-	-	519,104	479,448
Public safety	523,987	509,583	-	-	523,987	509,583
Highway and streets	161,788	136,483	-	-	161,788	136,483
Drug Enforcement	-	-	-	-	-	-
Parks and recreation	62,636	49,886	-	-	62,636	49,886
Sanitation	-	-	79,498	79,266	79,498	79,266
Interest on Long-Term Debt	75,921	73,166	-	-	75,921	73,166
Water and sewer	-	-	1,132,653	1,146,139	1,132,653	1,146,139
Total expenses	<u>1,343,436</u>	<u>1,248,566</u>	<u>1,212,151</u>	<u>1,225,405</u>	<u>2,555,587</u>	<u>2,473,971</u>
Increase in net assets	14,461	43,446	(195,602)	(210,947)	(181,141)	(167,501)
Net assets - Beginning	<u>1,497,317</u>	<u>1,453,871</u>	<u>4,318,055</u>	<u>4,529,001</u>	<u>5,815,372</u>	<u>5,982,872</u>
Net assets - Ending	<u>\$ 1,511,778</u>	<u>\$ 1,497,317</u>	<u>\$ 4,122,453</u>	<u>\$ 4,318,054</u>	<u>\$ 5,634,231</u>	<u>\$ 5,815,371</u>

The government's net assets increased \$14,461 during the current fiscal year. Business-type activities net assets decreased \$195,602, primarily due to operating expenses in the water and sewer activities exceeding revenues.

Governmental activities: Governmental activities increased the Town of Dover's net assets due to the following key elements:

- Governmental fund balances increased during the year by \$14,461 in comparison with the prior year.
- Debt for the town increased by the net amount of \$ 313,244.

Business-type activities: Business-type activities decreased the Town's net assets by \$195,602. Key elements of the decrease are as follows:

- There were no non-operating revenues (capital grants) during the current year.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$897,565, an increase of \$2,630 in comparison with the prior year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$576,712. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35% of total general fund expenditures. The entire general fund balance is unassigned.

The fund balance of the Town's general fund increased \$26,134 during the current fiscal year. Key factors in this increase are:

- General fund received proceeds from new bond issue.

The state street aid fund has a total fund balance of \$102,358, all of which is restricted for the payment of street projects and street related expenses. The net increase in fund balance during the current fiscal year in the state street aid fund was \$3,575, due to state street aid revenues from state street aid funds and investment income exceeding expenditures for debt retirement and street expenditures.

The sidewalk capital fund had a total fund balance of \$177,411 which is restricted for expenditures relating to the sidewalk improvement project in Dover. Expenditures exceeded revenues and other financing sources by \$(22,229) all of which was for capital improvements for the sidewalk project.

Proprietary funds: The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer fund at the end of the year amounted to \$48,618. The total decrease in net assets for the Water and Sewer fund was \$196,577. Other factors concerning the finances have been addressed in the discussion of the Town's business-type activities.

Unrestricted net assets of the Sanitation fund at the end of the year amounted to \$4,832.

Capital Asset and Debt Administration

At the end of fiscal year 2011, the Town had \$9,567,181 (net of accumulated depreciation) invested in a broad range of capital assets. This investment includes land, infrastructure, buildings, equipment, utility system and construction in progress. The total increase in the Town's investment in capital assets for the current period (exclusive of depreciation expense) amounted to \$466,993.

Major capital asset events during the current fiscal year included the following:

- Acquisition of land, infrastructure, and equipment in the amount of \$ 380,379
- Construction in progress in the water and sewer fund in the amount of \$134,888

Additional information on the Town's capital assets can be found in Note 8 on page 36 of this report.

The following tables summarize the Town's capital assets and changes therein, for the year ended June 30, 2011. These changes are presented in detail in Note 8 to the financial statements.

TOWN OF DOVER, TENNESSEE
COMBINED STATEMENT OF CAPITAL ASSETS
(NET OF DEPRECIATION)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Infrastructure	\$ 200,514	\$ 180,873	\$ -	\$ -	\$ 200,514	\$ 180,873
Land	212,956	212,956	115,377	108,710	328,333	321,666
Buildings	2,838,105	2,838,105	143,397	143,397	2,981,502	2,981,502
Utility System	-	-	10,311,646	10,315,622	10,311,646	10,315,622
Construction in Progress	51,761	-	181,088	46,200	232,849	46,200
Equipment	1,100,911	829,870	247,411	260,440	1,348,322	1,090,310
Total Capital Assets	4,404,247	4,061,804	10,998,919	10,874,369	15,403,166	14,936,173
Less: Accum. Deprec.	(1,767,091)	(1,768,148)	(4,068,894)	(3,832,157)	(5,835,985)	(5,600,305)
Total, Net of Deprec.	<u>\$ 2,637,156</u>	<u>\$ 2,293,656</u>	<u>\$ 6,930,025</u>	<u>\$ 7,042,212</u>	<u>\$ 9,567,181</u>	<u>\$ 9,335,868</u>

Long-term debt: At the end of the current fiscal year, the Town had total bonded debt outstanding of \$5,858,945. Of this amount \$2,229,744 comprises debts backed by the full faith and credit of the government and \$3,629,201 represents bonds secured primarily by a specified revenue source with a full faith and credit pledge.

TOWN OF DOVER, TENNESSEE
OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 2,229,744	\$ 1,921,312	\$ -	\$ -	\$ 2,229,744	\$ 1,921,312
Revenue Bonds	-	-	3,629,201	3,551,993	3,629,201	3,551,993
Total	<u>\$ 2,229,744</u>	<u>\$ 1,921,312</u>	<u>\$ 3,629,201</u>	<u>\$ 3,551,993</u>	<u>\$ 5,858,945</u>	<u>\$ 5,473,305</u>

The Town's total bonded debt increased \$385,640 during the current fiscal year. Of this amount, general obligation debt increased by \$308,432 while water and sewer bonded debt increased by \$77,208. Additional information on the Town's long-term debt can be found in Note 7 on pages 32-35.

Economic Factors and Next Year's Budget and Rates

Factors considered in preparing the Town's budget for the 2011 fiscal year include the following:

- The 2011 unemployment rate for Dover and Stewart County was 12.3%, compared to the State's rate of 10.2% and the national average unemployment rate of 9.2%.
- Inflationary trends in health care costs and energy fuels continue to result in significant cost increases in next year's budget projections.

State-shared tax revenue should continue to shrink in fiscal year 2012 due to the economic slowdown. The property tax rate was increased to \$1.15 per \$100 of assessed value of property. Water and Sewer rates remained the same as in the previous year. Due to a negative change in net assets in the Water and Sewer fund for the year ended June 30, 2011 the Board of Mayor and Aldermen may consider a water/sewer rate increase in the near future.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for any additional information should be directed to the Office of the Town Administrator, Town of Dover, Post Office Box 447, Dover, Tennessee 37058.

TOWN OF DOVER, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 512,045	\$ 196,810	\$ 708,855
Receivables (Net):			
Property Tax	375,000	-	375,000
Customer Service	-	117,591	117,591
Grants	52,169	-	52,169
Note-Current Portion	2,791	-	2,791
Other	1,984	-	1,984
Due from Other Governments	116,718	-	116,718
Interfund Accounts	(2,490)	2,490	-
Inventory of Supplies, at Cost	-	8,897	8,897
Restricted Cash and Cash Equivalents	289,206	580,885	870,091
Note Receivable-Noncurrent Portion	211,218	-	211,218
Capital Assets:			
Capital Assets Not Depreciated	264,717	296,465	561,182
Capital Assets, Net	2,372,439	6,633,560	9,005,999
Total Assets	\$ 4,195,797	\$ 7,836,698	\$ 12,032,495
Liabilities:			
Accounts Payable	\$ 22,518	\$ 48,364	\$ 70,882
Accrued Liabilities	17,547	9,177	26,724
Deferred Property Tax	375,360	-	375,360
Accrued Compensated Absences-Current	7,770	3,244	11,014
Bonds and Notes Payable-Current	81,016	192,126	273,142
Customer Deposits	-	11,285	11,285
Accrued Compensated Absences-Noncurrent	31,080	12,974	44,054
Bonds and Notes Payable-Noncurrent	2,148,728	3,437,075	5,585,803
Total Liabilities	2,684,019	3,714,245	6,398,264
Net Assets:			
Invested in Capital Assets, Net of Related Debt	407,412	3,492,950	3,900,362
Restricted for:			
Debt Service	-	580,885	580,885
Senior Citizens Fund	37,662	-	37,662
State Street Aid Fund	102,358	-	102,358
Sidewalks Fund	177,411	-	177,411
Drug Fund	3,422	-	3,422
Unrestricted	783,513	48,618	832,131
Total Net Assets	\$ 1,511,778	\$ 4,122,453	\$ 5,634,231

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/ Programs	Expenses	Program Revenues			Net Revenue (Expenses) and Changes in Net Assets Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities</u>							
General Government	\$ 519,104	\$ 7,490	\$ 34,945	\$ -	\$ (476,669)	\$ -	\$ (476,669)
Public Safety	523,987	122,749	15,496	-	(385,742)	-	(385,742)
Highways and Streets	161,788	-	42,513	49,175	(70,100)	-	(70,100)
Parks and Recreation	62,636	-	-	-	(62,636)	-	(62,636)
Licenses and Permits	-	28,931	-	-	28,931	-	28,931
Interest on Long-Term Debt	75,921	-	-	-	(75,921)	-	(75,921)
Total Governmental Activities	<u>1,343,436</u>	<u>159,170</u>	<u>92,954</u>	<u>49,175</u>	<u>(1,042,137)</u>	<u>-</u>	<u>(1,042,137)</u>
<u>Business-Type Activities</u>							
Solid Waste Fund	79,498	80,473	-	-	-	975	975
Water and Sewer Utility	1,132,653	929,370	-	-	-	(203,283)	(203,283)
Total Business-Type Activities	<u>1,212,151</u>	<u>1,009,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202,308)</u>	<u>(202,308)</u>
Total Functions/Programs	<u>\$ 2,555,587</u>	<u>\$ 1,169,013</u>	<u>\$ 92,954</u>	<u>\$ 49,175</u>	<u>\$ (1,042,137)</u>	<u>\$ (202,308)</u>	<u>\$ (1,244,445)</u>
<u>General Revenues</u>							
Property Tax					\$ 328,651	\$ -	\$ 328,651
Business Tax					22,340	-	22,340
Local Option Sales Tax					409,151	-	409,151
Beer Tax					54,591	-	54,591
State Sales Tax					95,422	-	95,422
State Income Tax					4,156	-	4,156
TVA In-Lieu of Tax					16,228	-	16,228
Excise Tax					271	-	271
Telecommunications Tax					116	-	116
Investment Income					2,243	5,905	8,148
Other					123,429	801	124,230
Total General Revenues					<u>1,056,598</u>	<u>6,706</u>	<u>1,063,304</u>
Change in Net Assets					14,461	(195,602)	(181,141)
Net Assets, Beginning					<u>1,497,317</u>	<u>4,318,055</u>	<u>5,815,372</u>
Net Assets, Ending					<u>\$ 1,511,778</u>	<u>\$ 4,122,453</u>	<u>\$ 5,634,231</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Sidewalk Capital Fund	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 512,045	\$ -	\$ -	\$ -	\$ 512,045
Restricted Cash and Cash Equivalents	-	149,064	99,058	41,084	289,206
Receivables, Net of Uncollectibles					
Property Taxes	375,000	-	-	-	375,000
Grants	2,994	49,175	-	-	52,169
Other	1,984	-	-	-	1,984
Due From Other Governments	110,118	-	6,600	-	116,718
 Total Assets	 \$1,002,141	\$ 198,239	\$ 105,658	\$ 41,084	\$ 1,347,122
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 1,690	\$ 20,828	\$ -	\$ -	\$ 22,518
Accrued Liabilities	1,796	-	-	-	1,796
Due to Other Funds	2,490	-	-	-	2,490
Deferred Revenue	419,453	-	3,300	-	422,753
 Total Liabilities	 425,429	20,828	3,300	-	449,557
Fund Balances:					
Restricted, Reported in:					
Senior Citizens Fund	-	-	-	37,662	37,662
State Street Aid	-	-	102,358	-	102,358
Sidewalks Fund	-	177,411	-	-	177,411
Drug Fund	-	-	-	3,422	3,422
Unassigned	576,712	-	-	-	576,712
 Total Fund Balance	 576,712	177,411	102,358	41,084	897,565
 Total Liabilities and Fund Balances	 \$1,002,141	\$ 198,239	\$ 105,658	\$ 41,084	\$ 1,347,122

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Amounts reported for governmental activities in the
statement of net assets are different because:

Total fund balance - total governmental funds	\$	897,565
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,637,156
Deferred revenue on fund statements is part of net assets on the entity-wide statements on the accrual basis		47,393
Note Receivable used in governmental activities is not financial resource and, therefore is not reported in the funds		214,009
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Accrued compensated absences		(38,850)
Interest payable		(15,751)
Bonds and notes payable		<u>(2,229,744)</u>
Net assets of governmental activities	\$	<u>1,511,778</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Sidewalk Capital Fund</u>	<u>State Street Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property Tax	\$ 328,651	\$ -	\$ -	\$ -	\$ 328,651
Business Tax	22,340	-	-	-	22,340
Local Option Sales Tax	409,151	-	-	-	409,151
Wholesale Beer Tax	53,839	-	-	-	53,839
Other Tax	1,704	-	-	-	1,704
Intergovernmental:					
State Sales Tax	95,422	-	-	-	95,422
State Income Tax	4,156	-	-	-	4,156
State Beer Tax	752	-	-	-	752
TVA In-Lieu of Tax	16,228	-	-	-	16,228
Excise Tax	271	-	-	-	271
Gas 1989 Tax	-	-	4,365	-	4,365
Gas 3 Cent Tax	-	-	8,102	-	8,102
Gasoline and Motor Fuel Tax	-	-	26,951	-	26,951
Petroleum Special	3,095	-	-	-	3,095
Telecommunications Sales Tax	116	-	-	-	116
Operating and Capital Grants	50,441	49,175	-	-	99,616
Licenses and Permits	28,931	-	-	-	28,931
Investment Income	1,791	-	440	12	2,243
Charges for Services	7,490	-	-	-	7,490
Fines and Forfeits	122,634	-	-	115	122,749
Rent	12,000	-	-	-	12,000
Miscellaneous	<u>93,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,984</u>
Total Revenues	<u>\$ 1,252,996</u>	<u>\$ 49,175</u>	<u>\$ 39,858</u>	<u>\$ 127</u>	<u>\$ 1,342,156</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS (CONT'D)
YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Sidewalk Capital Fund</u>	<u>State Street Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Current:					
General Government	\$ 444,775	\$ -	\$ -	\$ -	\$ 444,775
Public Safety	481,965	-	-	-	481,965
Highways and Streets	149,014	-	-	-	149,014
Parks and Recreation	59,946	-	-	-	59,946
Capital Outlay	380,120	71,404	9,998	4,977	466,499
Debt Service	<u>125,096</u>	<u>-</u>	<u>26,285</u>	<u>-</u>	<u>151,381</u>
Total Expenditures	<u>1,640,916</u>	<u>71,404</u>	<u>36,283</u>	<u>4,977</u>	<u>1,753,580</u>
Revenues Over					
(Under) Expenditures	<u>(387,920)</u>	<u>(22,229)</u>	<u>3,575</u>	<u>(4,850)</u>	<u>(411,424)</u>
OTHER FINANCING SOURCES (USES)					
Sale of Property	11,737	-	-	-	11,737
Proceeds From Borrowings	<u>402,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,317</u>
Total Other	<u>414,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,054</u>
Net Change in Fund Balance	26,134	(22,229)	3,575	(4,850)	2,630
Fund Balance, Beginning	<u>550,578</u>	<u>199,640</u>	<u>98,783</u>	<u>45,934</u>	<u>894,935</u>
Fund Balance, Ending	<u>\$ 576,712</u>	<u>\$ 177,411</u>	<u>\$ 102,358</u>	<u>\$ 41,084</u>	<u>\$ 897,565</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total government funds	\$	2,630
--	----	-------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Assets Purchased		447,777
Depreciation Expense		(108,281)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Collections on note receivable		(2,675)
Contributed capital		4,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Increase in the accrual for compensated absences		(4,807)
Increase in accrued interest		(15,751)

Net increase in long-term debt; debt service principal payments are expensed and long-term debt proceeds are reported as revenue on the fund statements; the statement of net assets is on the accrual basis and the debt proceeds are reported as a liability and the principal payments are a reduction in the applicable liability.

Bond Proceeds		(402,317)
Bond Principal Payments		<u>93,885</u>

Change in net assets of governmental activities	\$	<u>14,461</u>
---	----	---------------

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF DOVER, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 191,978	\$ 4,832	\$ 196,810
Customer Receivables (Net)	117,591	-	117,591
Due From Other Funds	2,490	-	2,490
Inventory	<u>8,897</u>	<u>-</u>	<u>8,897</u>
Total Current Assets	<u>320,956</u>	<u>4,832</u>	<u>325,788</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	580,885	-	580,885
Capital Assets:			
Capital Assets -Not Depreciated	296,465	-	296,465
Capital Assets (Net of Accumulated Depreciation)	<u>6,633,560</u>	<u>-</u>	<u>6,633,560</u>
Total Noncurrent Assets	<u>7,510,910</u>	<u>-</u>	<u>7,510,910</u>
Total Assets	<u>\$ 7,831,866</u>	<u>\$ 4,832</u>	<u>\$ 7,836,698</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 48,364	\$ -	\$ 48,364
Accrued Liabilities	9,177	-	9,177
Customer Deposits	11,285	-	11,285
Accrued Compensated Absences-Current	3,244	-	3,244
Bonds and Notes Payable-Current	<u>192,126</u>	<u>-</u>	<u>192,126</u>
Total Current Liabilities	<u>264,196</u>	<u>-</u>	<u>264,196</u>
Noncurrent Liabilities:			
Accrued Compensated Absences-Noncurrent	12,974	-	12,974
Bonds and Notes Payable-Noncurrent	<u>3,437,075</u>	<u>-</u>	<u>3,437,075</u>
Total Noncurrent Liabilities	<u>3,450,049</u>	<u>-</u>	<u>3,450,049</u>
Total Liabilities	<u>3,714,245</u>	<u>-</u>	<u>3,714,245</u>
<u>NET ASSETS</u>			
Invested in Capital Assets,			
Net of Related Debt	3,492,950	-	3,492,950
Restricted	580,885	-	580,885
Unrestricted	<u>43,786</u>	<u>4,832</u>	<u>48,618</u>
Total Net Assets	<u>\$ 4,117,621</u>	<u>\$ 4,832</u>	<u>\$ 4,122,453</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF DOVER, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS-PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	<u>Water and Sewer</u> <u>Fund</u>	<u>Solid Waste</u> <u>Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 929,370	\$ 80,473	\$ 1,009,843
Operating Expenses:			
Personnel	376,996	-	376,996
Utilities	101,067	-	101,067
Professional Services	21,365	-	21,365
Data Processing	10,713	-	10,713
Repair and Maintenance	41,501	-	41,501
Office	11,921	-	11,921
Rent	13,818	-	13,818
Materials and Supplies	70,894	-	70,894
Vehicle	11,159	-	11,159
Insurance	22,584	-	22,584
Contractual Services	-	69,806	69,806
Bank Charges	2,162	-	2,162
Depreciation	268,167	-	268,167
Other Expenses	16,294	9,692	25,986
Total Operating Expenses	<u>968,641</u>	<u>79,498</u>	<u>1,048,139</u>
Operating Income	<u>(39,271)</u>	<u>975</u>	<u>(38,296)</u>
Non-Operating Revenues (Expenses)			
Interest Income	5,905	-	5,905
Bond and Note Interest	(164,012)	-	(164,012)
Gain/(Loss) on Sale of Assets	(6,423)	-	(6,423)
Other Revenues (Expenses)	7,224	-	7,224
Total Non-Operating Revenues (Expenses)	<u>(157,306)</u>	<u>-</u>	<u>(157,306)</u>
Change in Net Assets	(196,577)	975	(195,602)
Net Assets, Beginning	<u>4,314,198</u>	<u>3,857</u>	<u>4,318,055</u>
Net Assets, Ending	<u>\$ 4,117,621</u>	<u>\$ 4,832</u>	<u>\$ 4,122,453</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash Received From Customers	\$ 931,586	\$ 80,473	\$ 1,012,059
Cash Payments to Suppliers	(278,413)	(79,498)	(357,911)
Cash Payments to Personnel	(376,043)	-	(376,043)
Net Cash Provided By (Used In) Operating Activities	<u>277,130</u>	<u>975</u>	<u>278,105</u>
Cash Flows from Non-Capital Financing Activities:			
Other Income	7,224	-	7,224
Net Cash Provided By (Used In) Non-Capital Financing Activities	<u>7,224</u>	<u>-</u>	<u>7,224</u>
Cash Flows from Capital and Related Financing Activities:			
Bond Proceeds	133,384	-	133,384
Purchase of Fixed Assets	(162,403)	-	(162,403)
Debt Service Principal Paid	(56,176)	-	(56,176)
Debt Service Interest Paid	(164,012)	-	(164,012)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(249,207)</u>	<u>-</u>	<u>(249,207)</u>
Cash Flows from Investing Activities:			
Interest on Investments	5,905	-	5,905
Net Increase (Decrease) in Cash	41,052	975	42,027
Cash and Restricted Cash, Beginning	731,811	3,857	735,668
Cash and Restricted Cash, Ending	<u>\$ 772,863</u>	<u>\$ 4,832</u>	<u>\$ 777,695</u>
Reconciliation of Operating Income To Net Cash Provided By (Used In) Operating Activities:			
Operating Income	\$ (39,271)	\$ 975	\$ (38,296)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	268,167	-	268,167
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(3,086)	-	(3,086)
(Increase) Decrease in Due from Other Governments	5,302	-	5,302
Increase (Decrease) in Customer Deposits	(106)	-	(106)
Increase (Decrease) in Accounts Payable	44,964	-	44,964
Increase (Decrease) in Accrued Compensated Absences	953	-	953
Increase (Decrease) in Accrued Liabilities	207	-	207
Total Adjustments	<u>316,401</u>	<u>-</u>	<u>316,401</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 277,130</u>	<u>\$ 975</u>	<u>\$ 278,105</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes	\$ 799,721	\$ 816,056	\$ 815,685	\$ (371)
Intergovernmental	163,174	168,874	170,481	1,607
Charges for service	35,000	7,490	7,490	-
License and permits	25,750	28,931	28,931	-
Fines and forfeits	130,000	122,634	122,634	-
Investment income	3,100	1,791	1,791	-
Rent	12,000	12,000	12,000	-
Miscellaneous	87,071	95,248	93,984	(1,264)
Total Revenues	<u>\$ 1,255,816</u>	<u>\$ 1,253,024</u>	<u>\$ 1,252,996</u>	<u>\$ (28)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Legislative				
Salaries	\$ 18,732	\$ 18,731	\$ 18,731	\$ -
Other Expense	26,100	29,315	29,315	-
Total Legislative	<u>\$ 44,832</u>	<u>\$ 48,046</u>	<u>\$ 48,046</u>	<u>\$ -</u>
Judicial				
Salaries	\$ 39,208	\$ 39,059	\$ 39,059	\$ -
Fringe Benefits	4,295	4,413	4,413	-
Other Expense	3,200	1,191	1,191	-
Total Judicial	<u>\$ 46,703</u>	<u>\$ 44,663</u>	<u>\$ 44,663</u>	<u>\$ -</u>
Financial				
Salaries	\$ 102,760	\$ 102,690	\$ 102,690	\$ -
Fringe Benefits	32,171	30,666	30,666	-
Other Expense	29,012	29,927	29,927	-
Total Financial	<u>\$ 163,943</u>	<u>\$ 163,283</u>	<u>\$ 163,283</u>	<u>\$ -</u>
Planning				
Other Expense	\$ 6,100	\$ 5,250	\$ 5,250	\$ -
Total Planning	<u>\$ 6,100</u>	<u>\$ 5,250</u>	<u>\$ 5,250</u>	<u>\$ -</u>
Codes				
Salaries	\$ 33,735	\$ 34,337	\$ 34,337	\$ -
Fringe Benefits	18,534	16,919	16,919	-
Other Expense	3,316	3,546	3,546	-
Total Codes	<u>\$ 55,585</u>	<u>\$ 54,802</u>	<u>\$ 54,802</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Housing				
Other Expense	\$ -	\$ 35,070	\$ 35,070	\$ -
Total Housing	<u>\$ -</u>	<u>\$ 35,070</u>	<u>\$ 35,070</u>	<u>\$ -</u>
Other General				
Salaries	\$ 6,298	\$ 4,084	\$ 4,084	\$ -
Fringe Benefits	3,000	3,627	3,627	-
Other Expense	81,054	85,950	85,950	-
Debt Service	<u>131,933</u>	<u>140,847</u>	<u>125,096</u>	<u>15,751</u>
Total Other General	<u>\$ 222,285</u>	<u>\$ 234,508</u>	<u>\$ 218,757</u>	<u>\$ 15,751</u>
Total General Government	<u>\$ 539,448</u>	<u>\$ 585,622</u>	<u>\$ 569,871</u>	<u>\$ 15,751</u>
 Public Safety				
Police				
Salaries	\$ 239,838	\$ 226,216	\$ 237,036	\$ (10,820)
Fringe Benefits	96,014	79,329	79,401	(72)
Other Expense	76,900	70,276	70,540	(264)
Capital Outlay	<u>1,250</u>	<u>680</u>	<u>2,571</u>	<u>(1,891)</u>
Total Police	<u>\$ 414,002</u>	<u>\$ 376,501</u>	<u>\$ 389,548</u>	<u>\$ (13,047)</u>
Drug Enforcement				
Salaries	\$ 43,408	\$ 36,642	\$ 36,642	\$ -
Fringe Benefits	19,663	16,250	16,250	-
Other Expense	<u>2,800</u>	<u>1,707</u>	<u>1,707</u>	<u>-</u>
Total Drug Enforcement	<u>\$ 65,871</u>	<u>\$ 54,599</u>	<u>\$ 54,599</u>	<u>\$ -</u>
Fire				
Salaries	\$ 25,279	\$ 17,657	\$ 17,657	\$ -
Fringe Benefits	-	-	-	-
Other Expense	16,100	22,732	22,732	-
Capital Outlay	<u>1,000</u>	<u>359,047</u>	<u>368,049</u>	<u>(9,002)</u>
Total Fire	<u>\$ 42,379</u>	<u>\$ 399,436</u>	<u>\$ 408,438</u>	<u>\$ (9,002)</u>
Total Public Safety	<u>\$ 522,252</u>	<u>\$ 830,536</u>	<u>\$ 852,585</u>	<u>\$ (22,049)</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<u>Highways and Streets</u>				
Streets				
Salaries	\$ 62,653	\$ 78,807	\$ 78,807	\$ -
Fringe Benefits	14,540	16,766	16,766	-
Other Expense	8,600	5,844	5,844	-
Capital Outlay	-	9,500	9,500	-
Total Streets	\$ 85,793	\$ 110,917	\$ 110,917	\$ -
Street Lighting				
Street Lighting-Electricity	\$ 45,000	\$ 47,150	\$ 47,150	\$ -
Other Expense	-	447	447	-
Total Street Lighting	\$ 45,000	\$ 47,597	\$ 47,597	\$ -
Total Highways and Streets	\$ 130,793	\$ 158,514	\$ 158,514	\$ -
 <u>Parks and Recreation</u>				
Salaries	\$ 19,654	\$ 19,032	\$ 19,032	\$ -
Fringe Benefits	9,529	9,416	9,416	-
Other Expense	32,325	31,498	31,498	-
Total Parks and Recreation	\$ 61,508	\$ 59,946	\$ 59,946	\$ -
Total Expenditures	\$ 1,254,001	\$ 1,634,618	\$ 1,640,916	\$ (6,298)
 <u>Other Financing Sources (Uses)</u>				
Sale of Property	\$ -	\$ 11,737	\$ 11,737	\$ -
Proceeds from Borrowings	-	402,317	402,317	-
Total Other Financing Sources (Uses)	\$ -	\$ 414,054	\$ 414,054	\$ -
Net Change in Fund Balance	\$ 1,815	\$ 32,460	26,134	\$ (6,326)
Fund Balance, Beginning			550,578	
Fund Balance, Ending			\$ 576,712	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-STATE STREET AID FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Revenues:				
Investment income	\$ 1,200	\$ 440	\$ 440	\$ -
Intergovernmental	39,000	39,418	39,418	-
Total Revenues	40,200	39,858	39,858	-
Expenditures:				
Capital Outlay	6,500	9,998	9,998	-
Debt Service	30,005	26,285	26,285	-
Total Expenditures	36,505	36,283	36,283	-
Revenues Over (Under) Expenditures	\$ 3,695	\$ 3,575	3,575	\$ -
Fund Balance, Beginning			98,783	
Fund Balance, Ending			\$ 102,358	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Dover (the Town), located in Stewart County, operates under a Mayor - Aldermen form of government and provides the following services to its citizens, as authorized by its charter: general administrative services, public safety (police and fire protection), streets and roadways, health and welfare, culture and recreation, planning and zoning, public improvements, solid waste and water and sewer utility services.

The accounting and reporting policies of the Town conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), and by the Financial Accounting Standards Board (when applicable).

A. Financial Reporting Entity

Generally accepted accounting principles require that financial statements present the accounts and operations of the government and its component units, entities for which the government is considered to be financially accountable. The basic criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's financial report is the financial accountability over such organization by the governmental unit's elected officials. The manifestations of such financial accountability are financial benefactor or burden, ability to impose its will, and fiscal dependence. As of June 30, 2011 and for the fiscal year then ended, the Town had no component units which were required to be included in these financial statements.

B. Government-Wide Financial Statements

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Town's activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that have been obtained to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function of the Town is self-financed or draws from general revenues.

C. Fund Financial Statements and Measurement Focus

Fund financial statements report detailed information about the Town. The focus of the fund financial statements is on major funds rather than fund type. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on sources and uses of current financial resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. This reporting focuses on the determination of operating income, and changes in net assets, financial position and cash flows. The financial statement requirements are a statement of net assets, statement of revenue, expenses and changes in fund net assets and a statement of cash flows.

D. Basis of Presentation and Measurement Focus

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are separately aggregated and reported as non-major funds.

Governmental Fund Types

Governmental fund types are used to account for the Town's general government activities. Governmental fund types include the following:

General Fund

The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes (not including major capital projects). The State Street Aid and Drug Funds are the Town's Special Revenue Funds.

State Street Aid Fund

The State Street Aid Fund receives funds from the State of Tennessee monthly allocations. The gas portion of these funds is deposited into the street fund. The fund activities are restricted to street expenditures like paving projects and things of that nature.

Capital Project Funds

The capital project funds account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The Senior Citizens Fund and the Sidewalk Fund are the Town's Capital Project Funds.

Sidewalk Capital Project Fund

The sidewalk fund was set up to pay for the construction of the street lights, sidewalks and landscaping of the town.

Proprietary Funds

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the Town's Proprietary Funds:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Water and Sewer Fund

The Water and Sewer Fund accounts for the fiscal activity of all water and sewer used throughout the Town and certain surrounding portions of Stewart County.

Solid Waste Fund

The Solid Waste Fund was set up to bill and pay for the contract of garbage pick up for Town residents.

E. Capital Assets

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributions from others towards the construction of an asset is charged to the applicable capital asset accounts. Donated property, plant and equipment are valued at their estimated fair value on the date donated. Capital assets are valued for impairment or abandonment when necessary.

Government capital asset values, reported under GASB 34, are based on historical costs. Since the Town is a Phase 3 municipality, valuation of infrastructure is for that added after June 30, 2004, and retroactive reporting was not elected.

Town policy has set a \$5,000 capitalization amount for infrastructure and other capital assets.

Depreciation is computed on governmental capital assets using the straight-line method over the following estimated useful lives:

<u>Infrastructure</u>	
Roadways	50 years
Bridges	50 years
<u>Other Capital Assets</u>	
Land Improvements	50 years
Machinery and Equipment	4-30 years
Buildings	50 years
Vehicles	5 years

Depreciation is provided on the business-type capital assets in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The estimated service lives by type of asset are as follows:

Utility Plant	33-40 years
Furniture and Equipment	5-10 years
Vehicles	5 years

F. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund types utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within thirty days of the end of the fiscal year. All major revenues are susceptible to accrual and include property taxes, state-shared allocations, local option sales taxes and others.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent March 1. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year-end. Delinquent taxes are considered non-collectible and therefore a reserve for uncollectible taxes is provided. In accordance with GASB 33, 2011 property taxes have been recorded as a receivable and deferred revenue at the audit date.

Proprietary funds utilize the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

G. Inventories

Proprietary fund inventories of material, supplies and replacement parts are valued at cost as determined by the most recent invoice price, which approximates market value. A perpetual inventory is maintained by the Town with a physical inventory taken annually.

H. Cash and Cash Equivalents on Cash Flows Statement

For purposes of the statement of cash flows, the Town considers cash deposits and all highly liquid instruments (including restricted assets) with a maturity of three months or less when purchased and Tennessee Local Government Investment Pool, to be cash and cash equivalents.

I. Interfund Receivables and Payables

Interfund accounts are used to account for transfers between funds that are to be repaid. The balances are not eliminated at the audit date on the fund statements but are eliminated in the statement of net assets.

J. Unbilled Revenue

As is the general practice of the utility industry, unbilled revenue for services (proprietary funds) and the related unbilled cost from the date of the most recent meter reading to the balance sheet date is not recorded. However, the effect is considered immaterial.

K. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

L. Receivables

Accounts receivable is presented net of any allowance for uncollectible accounts. The allowance for bad debt accounts is \$58,525 for the year ended June 30, 2011. Bad debts are charged to expense using the allowance-for-bad-debt method. Town's policy, for the proprietary funds, is to reserve 100% of accounts 30 days or more past due and for governmental funds (property taxes), is to reserve accounts one or more years past due. The bad debt expense for the year ended June 30, 2011 was \$7,600.

M. Deferred Revenue

Deferred revenue includes revenues received more than thirty days following year-end (unavailable to pay liabilities of the current period).

N. Insurance and Advertising

Insurance and advertising costs are expensed as incurred in the governmental funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

O. Accrued Compensated Absences

Employees earn twelve hours of annual leave and one day of sick leave for each month of employment. On June 30, any unused annual leave over 240 hours is transferred to sick leave. Sick leave does not vest and is not limited in the amount that can accrue. Upon termination, the Town pays out any accrued annual leave but does not pay for unused sick leave. However, sick days accumulated during employee's tenure are added to their years for the purpose of calculating retirement benefits.

P. Operating and Non-Operating Revenue

Operating revenues and expenses reported in proprietary fund financial statements are those that result from providing services and producing and delivering goods and/or services in connection with the Town's ongoing operations. The principal operating revenues of the Town are charges for providing water and sewer, and sanitation services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Q. FASB Statements

The Town has elected for its proprietary funds to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

R. Other Significant Accounting Policies

Other significant accounting policies are described throughout the notes section of this audit report or disclosed in the statement formats.

S. Fund Balance Classification

Beginning with fiscal year 2010-2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- I. Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town did not have any nonspendable resources as of June 30, 2011.
- II. Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified State Street Aid and Drug Fund as being restricted because their use is restricted for street expenditures and police investigation use. Senior Citizens Fund and Sidewalks Fund is restricted for making capital improvements and maintaining the senior citizen center and sidewalks.
- III. Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town's Board of Aldermen. Town's Board of Aldermen is the highest level of decision-making authority for the Town. These amounts cannot be used for any other purpose unless the Town's Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town did not have any committed resources as of June 30, 2011.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- IV. Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town's Board of Aldermen or through the Town's Board of Aldermen delegating this responsibility to the Town manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town did not have any assigned resources as of June 30, 2011.
- V. Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

The Town has not adopted a minimum fund balance policy for the General Fund.

2. RESTRICTED ASSETS

<u>Water and Sewer Fund</u>	<u>Amount</u>	<u>Restriction</u>
Cash in Bank - Sewer Construction	\$ 80,885	Restricted for Completion of Sewer Extension Project
Certificates of Deposit	<u>500,000</u>	Restricted for Debt Service Requirements
Sub-Total	<u>580,885</u>	
 <u>Special Revenue Funds</u>		
Cash in Bank - Drug Fund	3,422	Restricted for Drug Fund use
Cash in Bank- State Street Aid Fund	<u>99,058</u>	Restricted for State Street Aid use
Sub-Total	<u>102,480</u>	
 <u>Capital Projects Funds</u>		
Cash in Bank - Senior Citizens Fund	37,662	Restricted for Senior Citizens use
Cash in Bank- Sidewalk Project	<u>149,064</u>	Restricted for Sidewalk Projects use
Sub-Total	<u>186,726</u>	
Total	<u>\$ 870,091</u>	

3. 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.

4. CONCENTRATIONS

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist principally of cash and accounts receivable. The Town maintains cash with federally insured financial institutions and limit the amount of credit exposure to any one institution by requiring collateral. With respect to accounts receivable, credit risk is dispersed across a large number of customers who are geographically concentrated in the Dover, Tennessee service area. The Town performs an initial credit evaluation for new customers or obtains a security deposit where applicable.

5. CASH AND CASH EQUIVALENTS, CERTIFICATES OF DEPOSITS AND INVESTMENTS

Statement No. 40, "Deposit and Investment Risk Disclosures", of the Governmental Accounting Standards Board, states "If a government has no deposit or investment policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact." The Town does not have an official deposit and investment policy. Although there is no official deposit and investment policy for the Town, in order to provide a safe temporary medium for investment of the Town's idle funds, the Town invests those idle funds under the provisions of Tennessee Code Annotated 6-56-106. State statutes authorize the Town to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government, (2) deposit accounts at state and federally chartered banks and savings and loan associations, and (3) the Local Government Investment Pool of the State of Tennessee.

GASB 40 is designed to inform financial statement users about the deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. The Town recognizes its deposits and investments may have one or more of the following risks:

1. Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in debt securities to the highest rated category by at least two nationally recognized rating agencies. The Town has no investment in debt securities.
2. Concentration of credit risk: A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event that the issuer fails on its obligations. The Town places no limit on the amount the Town may invest in any one issuer. The Town has no investment in debt securities.
3. Interest rate risk: Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town has no debt investments.
4. Custodial credit risk: Custodial credit risk is defined as the risk that a government will not be able to recover its deposits, investments or collateral from the bank in the event of bank failure.

As of June 30, 2011, the carrying amount of the Town's deposits was \$1,578,946 and the bank balance of \$1,862,223 was categorized as follows:

Insured by FDIC	\$ 750,000
Insured by Tennessee Bank Collateral Pool	<u>1,112,223</u>
Total Bank Balance	<u>\$ 1,862,223</u>

6. LEASES

The Town entered into various noncancelable operating leases for office equipment. Future minimum operating lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2012	\$ 12,084
2013	12,084
2014	11,200
2015	<u>5,846</u>
Total	<u>\$ 41,214</u>

The rent expense was \$7,200 for the year ended June 30, 2011. Water and Sewer Department rents office space from the General Department on monthly basis. The water and sewer department made rent payments of \$12,000 to the general fund during the year ended June 30, 2011.

7. LONG-TERM DEBT

a. Schedule of Changes in Water and Sewer Long-Term Debt

	Balance 6/30/2010	Added or Incurred	Reduced or Paid	Balance 6/30/2011	Due Within One Year
Accrued Compensated Absences	\$ 15,265	\$ 953	\$ -	\$ 16,218	\$ 3,244
Bonds:					
1999 Revenue Bonds	1,620,982	-	31,559	1,589,423	33,174
1999 Revenue Bonds	150,479	-	2,925	147,554	3,073
2007 Sewer Bonds	1,780,532	-	21,692	1,758,840	22,495
2010 Bond Anticipation Note	-	133,384	-	133,384	133,384
Total Bonds	<u>3,551,993</u>	<u>133,384</u>	<u>56,176</u>	<u>3,629,201</u>	<u>192,126</u>
Total Long-Term Debt	<u>\$ 3,567,258</u>	<u>\$ 134,337</u>	<u>\$ 56,176</u>	<u>\$ 3,645,419</u>	<u>\$ 195,370</u>

Proprietary long-term debt at June 30, 2011 consists of the following obligations:

	Balance
\$1,900,000 Series 1999 Water and Sewer Revenue Bonds, due in monthly installments of \$9,329 through July 2036 at an interest rate of 5%.	\$ 1,589,423
\$175,000 Series 1999 Water and Sewer Revenue Bonds, due in monthly installments of \$860 through July 2036 at an interest rate of 5 %	147,554
\$1,208,000 Series 2007 Sewer Bonds, due in monthly installments of \$5,854 through November 2045 at an interest rate of 4.375%.	1,245,732
\$530,00 Series 2007 Sewer Bonds, due in monthly installments of \$2,305 through September 2046 at an interest rate of 4.125%.	513,108
\$1,015,000 Water Construction Bond Anticipation Note due by October 2012 at an interest rate of 3.5%.	<u>133,384</u>
Total Proprietary Long-Term Debt	3,629,201
Less: Current Portion	<u>192,126</u>
Net Proprietary Long- Term Debt	<u>\$ 3,437,075</u>

7. LONG-TERM DEBT (CONT'D)

b. Amortization of Water and Sewer Long-Term Debt

Fiscal Year Ended	1999 Revenue Bond		1999 Revenue Bond		2007 Sewer Bond		2008 Sewer Bond		Bond Anticipation Note		Total	
	5%		5%		4.375%		4.125%		3.500%			
June 30 ,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 3,073	\$ 7,200	\$ 33,174	\$ 78,800	\$ 15,907	\$ 54,300	\$ 6,588	\$ 21,084	\$ 133,384	\$ 4,668	\$ 192,126	\$ 166,052
2013	3,230	7,100	34,871	77,100	16,767	53,500	6,866	20,806	-	-	61,734	158,506
2014	3,396	6,824	36,655	75,292	17,515	52,733	7,155	20,517	-	-	64,721	155,366
2015	3,569	6,750	38,530	73,417	18,297	51,951	7,456	20,216	-	-	67,852	152,334
2016	3,752	6,568	40,502	71,445	18,973	51,275	7,770	19,902	-	-	70,997	149,190
2017-2021	21,841	29,755	235,794	323,941	108,984	242,256	44,043	94,317	-	-	410,662	690,269
2022-2026	28,030	23,565	302,609	257,126	135,584	215,656	54,132	84,228	-	-	520,355	580,575
2027-2031	35,974	15,621	388,356	171,379	168,681	182,559	66,533	71,827	-	-	659,544	441,386
2032-2036	43,458	5,285	478,932	87,708	209,793	141,447	81,773	56,587	-	-	813,956	291,027
2037-3041	1,231	154	-	-	261,113	90,127	100,505	37,855	-	-	362,849	128,136
2042-2046	-	-	-	-	274,118	27,069	123,528	14,832	-	-	397,646	41,901
2047-2049	-	-	-	-	-	-	6,759	47	-	-	6,759	47
Total	\$ 147,554	\$ 108,822	\$ 1,589,423	\$ 1,216,208	\$ 1,245,732	\$ 1,162,873	\$ 513,108	\$ 462,218	\$ 133,384	\$ 4,668	\$ 3,629,201	\$ 2,954,789

c. Schedule of Changes in Governmental Long-Term Debt

	Balance 6/30/2010	Added or Incurred	Reduced or Paid	Balance 6/30/2011	Due Within One Year
Accrued Compensated Absences	\$ 34,038	\$ 4,812	\$ -	\$ 38,850	\$ 7,770
Capital Outlay Notes:					
2007 Equipment Note	30,486	-	30,486	-	-
2004 Street Note	112,928	-	24,183	88,745	24,331
2011 Fire Equipment Note	-	402,317	7,068	395,249	26,445
Bonds and Loans:					
Municipal Building Series 1999	1,061,645	-	23,550	1,038,095	21,330
2008 Senior Citizens	433,273	-	5,369	427,904	5,581
Sidewalk Loan-RDA	282,980	-	3,229	279,751	3,329
Total Notes, Loans and Bonds	1,921,312	402,317	93,885	2,229,744	81,016
Total Long-Term Debt	\$ 1,955,350	\$ 407,129	\$ 93,885	\$ 2,268,594	\$ 88,786

7. LONG-TERM DEBT (CONT'D)

<u>Governmental long-term debt at June 30, 2011 consists of the following obligations:</u>	<u>Balance</u>
\$1,250,000 Series 1999 Municipal Building , General Obligation Note due in semi-annual installments of \$36,300 through March 2036 at an interest rate of 4.875%.	\$ 1,038,095
\$445,000 Series 2008 Senior Citizens Bond, General Obligation Note due in monthly installments of \$2,306 through February 2046 at an interest rate of 4.25%.	427,904
\$225,000 Series 2004 Street Improvement, Capital Outlay Note due in quarterly installments of \$6,571 through December 2013 at an interest rate of 2%.	88,745
\$283,500 Sidewalk Bonds, General Obligation Note due in monthly installments of \$1,234 through May 2048 at an interest rate of 4.125%.	279,751
\$402,317 Series 2011 Capital Outlay Note due in quarterly installments of \$10,782 through March 2023 at an interest rate of 4.250%.	<u>395,249</u>
Total Governmental Long-Term Debt	2,229,744
Less: Current Portion	<u>81,016</u>
Net Governmental Long- Term Debt	<u><u>\$ 2,148,728</u></u>

7. LONG-TERM DEBT (CONT'D)

d. Amortization of Governmental Long-Term Debt

Fiscal Year Ended June 30	Municipal Building Series 1999		Street Improvements Series 2004		Capital Outlay Note Series 2011		Sidewalk Bonds		Senior Citizens Bonds 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
		4.875%		2.00%		4.25%		4.125%		4.25%		
2012	\$ 21,330	\$ 51,300	\$ 24,331	\$ 5,700	\$ 26,445	\$ 16,682	\$ 3,329	\$ 11,479	\$ 5,581	\$ 18,100	\$ 81,016	\$ 103,261
2013	22,392	50,200	25,961	4,000	27,648	15,476	3,469	11,339	5,823	17,800	85,293	98,815
2014	23,509	49,100	27,700	2,300	28,861	14,266	3,615	11,193	6,075	17,589	89,760	94,448
2015	24,681	47,900	10,753	500	30,124	13,004	3,767	11,041	6,339	17,325	75,664	89,770
2016	25,912	46,700	-	-	31,411	11,716	3,925	10,883	6,613	17,051	67,861	86,350
2017-2021	150,272	212,700	-	-	178,091	36,536	22,246	51,774	37,622	80,698	388,231	381,708
2022-2026	191,655	171,500	-	-	72,669	3,151	27,332	46,708	46,512	71,808	338,168	293,167
2027-2031	244,437	118,500	-	-	-	-	33,581	40,459	57,504	60,816	335,522	219,775
2032-2036	333,907	51,300	-	-	-	-	41,268	32,782	71,392	46,928	446,567	131,010
2037-3041	-	-	-	-	-	-	50,691	23,449	87,890	30,430	138,581	53,879
2042-2046	-	-	-	-	-	-	62,280	11,760	96,553	9,761	158,833	21,521
2047-2049	-	-	-	-	-	-	24,247	850	-	-	24,247	850
Total	<u>\$ 1,038,095</u>	<u>\$ 799,200</u>	<u>\$ 88,745</u>	<u>\$ 12,500</u>	<u>\$ 395,249</u>	<u>\$ 110,831</u>	<u>\$ 279,751</u>	<u>\$ 263,716</u>	<u>\$ 427,904</u>	<u>\$ 388,306</u>	<u>\$ 2,229,744</u>	<u>\$ 1,574,553</u>

e. Liquidation and Collateral for Long-Term Liabilities

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund. Capital outlay notes are primarily paid by the General Fund with street notes usually paid by the State Street Aid Fund. The municipal building bonds and senior citizen bonds are paid by the General Fund.

Revenue bonds are collateralized by plant assets and revenues of the water and sewer fund and also require the establishment of a sinking fund to pay for the outstanding debt requirements. Capital outlay notes, street notes and municipal bonds are secured by the full faith and credit of the Town.

f. Interest Capitalization

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Total interest incurred and expensed for the year ended June 30, 2011, was \$239,933. No interest was capitalized.

g. Variable Rate Terms

Interest requirements for variable rate debt are calculated using the interest rate effective at the end of the reporting year. The interest rate is reset semiannually and is based upon the federal prime rate.

8. CAPITAL ASSETS

a. <u>Governmental Assets:</u>	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011
Capital assets not depreciated:				
Land	\$ 212,956	\$ -	\$ -	\$ 212,956
Construction in Progress	-	51,761	-	51,761
Total assets not depreciated	<u>212,956</u>	<u>51,761</u>	<u>-</u>	<u>264,717</u>
Capital assets depreciated:				
Infrastructure	180,873	19,641	-	200,514
Buildings	2,838,105	-	-	2,838,105
Equipment	<u>829,870</u>	<u>380,379</u>	<u>109,338</u>	<u>1,100,911</u>
Total assets depreciated	<u>3,848,848</u>	<u>400,020</u>	<u>109,338</u>	<u>4,139,530</u>
Less accumulated depreciation:				
Infrastructure	11,854	3,617	-	15,471
Buildings	1,047,427	55,619	-	1,103,046
Equipment	<u>708,867</u>	<u>49,045</u>	<u>109,338</u>	<u>648,574</u>
Total accumulated depreciation	<u>1,768,148</u>	<u>108,281</u>	<u>109,338</u>	<u>1,767,091</u>
Net Governmental Assets	<u>\$ 2,293,656</u>	<u>\$ 343,500</u>	<u>\$ -</u>	<u>\$ 2,637,156</u>
b. <u>Business-Type Assets: Water and Sewer:</u>				
Capital assets not depreciated:				
Land	\$ 108,710	\$ 6,667	\$ -	\$ 115,377
Construction in Progress	<u>46,200</u>	<u>134,888</u>	<u>-</u>	<u>181,088</u>
Total assets not depreciated	<u>154,910</u>	<u>141,555</u>	<u>-</u>	<u>296,465</u>
Capital assets depreciated:				
Buildings	143,397	-	-	143,397
Utility System	10,315,622	20,848	24,824	10,311,646
Equipment	<u>260,440</u>	<u>-</u>	<u>13,029</u>	<u>247,411</u>
Total assets depreciated	<u>10,719,459</u>	<u>20,848</u>	<u>37,853</u>	<u>10,702,454</u>
Less accumulated depreciation:				
Buildings	81,592	2,447	-	84,039
Utility System	3,651,767	253,720	19,580	3,885,907
Equipment	<u>98,798</u>	<u>12,000</u>	<u>11,850</u>	<u>98,948</u>
Total accumulated depreciation	<u>3,832,157</u>	<u>268,167</u>	<u>31,430</u>	<u>4,068,894</u>
Net Business-Type Assets	<u>\$ 7,042,212</u>	<u>\$ (105,764)</u>	<u>\$ 6,423</u>	<u>\$ 6,930,025</u>
Net Government-Wide				
Capital Assets	<u>\$ 9,335,868</u>	<u>\$ 237,736</u>	<u>\$ 6,423</u>	<u>\$ 9,567,181</u>
c. Depreciation expense related to governmental assets was charged to the following functions				
General government			\$ 64,540	
Public safety			38,275	
Parks			2,690	
Streets			<u>2,776</u>	
Total			<u>\$ 108,281</u>	

9. CONSOLIDATED PENSION INFORMATION

a. Plan Description

Employees of the Town are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Town participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

b. Funding Policy

The Town has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Town is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 14.03% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town is established and may be amended by the TCRS Board of Trustees.

c. Annual Pension Cost

For the year ending June 30, 2011, the Town's annual pension cost of \$95,721 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Town's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 7 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

d. Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	95,721	100.00%	0.00
6/30/10	88,235	100.00%	0.00
6/30/09	82,682	100.00%	0.00

9. CONSOLIDATED PENSION INFORMATION (CONT'D)

e. Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 83.08% funded. The actuarial accrued liability for benefits was \$1.7 million, and the actuarial value of assets was \$1.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.7 million, and the ratio of the UAAL to the covered payroll was 40.80%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$1,442	\$1,735	\$294	83.08%	\$720	40.80%
July 1, 2007	\$1,319	\$1,524	\$205	86.55%	\$661	31.01%

10. SIGNIFICANT SUBSEQUENT EVENTS

The Town has evaluated subsequent events through December 12, 2011, the date which the financial statements were available to be issued.

11. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

All interfund balances resulted from the time difference between the dates that the interfund goods and services were provided and paid.

<u>Interfund Receivables</u>	<u>Interfund Payables</u>	
	<u>General Fund</u>	
Water and Sewer Fund	\$	2,490

12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee Municipal League Risk Management Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

The Tennessee Municipal League Risk Management Pool was begun in 1979 when an Interlocal Cooperation Agreement was signed and Tennessee local governmental entities became the owners of their own alternative insurance program. The purpose of this liability pool was to provide affordable, dependable liability coverage for the entities such as the Town. The pool is not an insurance company but is a cooperative risk sharing arrangement. Participating members pay a premium, receive coverage, and make claims against that coverage. A portion of the premium is used to purchase reinsurance to cover losses that exceed the pool's loss fund. Legally, the members can be assessed for losses exceeding pool loss funds available and reinsurance policy limits but this circumstance is not expected to occur due to the financial management of the pool.

13. ACCOUNTS AND NOTES RECEIVABLE

Receivables as of June 30, 2011 were as follows:

Sidewalk Capital Fund

Grants Receivable	\$ 49,175
-------------------	-----------

State Street Aid

Due from Other Governments	6,600
----------------------------	-------

General Fund

Property Taxes Receivable	375,000
---------------------------	---------

Due from Other Governments	110,118
----------------------------	---------

Grants Receivable	2,994
-------------------	-------

Other Receivables	1,984
-------------------	-------

Water and Sewer Fund

Customer Receivable	<u>117,591</u>
---------------------	----------------

Total Accounts Receivable	<u>\$ 663,462</u>
---------------------------	-------------------

Note Receivable

The Town and Stewart County entered into an agreement to jointly own a senior citizen building. The Town secured the financing in its own name, however, Stewart County will be equally responsible for one-half of all interest, principal, insurance and all other expenses incurred in relation to the financing and the property. The County will pay over the life of the bond. This is County's portion of the bond, payable at an interest rate of 4.25%.

\$ 214,009

Less: Current Portion

<u>2,791</u>

Total Notes Receivable, Net of Current Portion

<u>\$ 211,218</u>

14. BUDGETARY INFORMATION

Through the budget, the Mayor and Board of Aldermen sets the direction of the Town, allocates its resources and establishes its priorities. The annual budget assures the efficient and effective use of the Town’s economic resources, as well as establishes the priority of objectives.

The annual budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation for effective financial planning by providing resource planning, performance measures, and controls that permit the evaluation and adjustment of the Town’s performance.

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. The Administrator submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. The budget is legally enacted through passage of an ordinance.
- d. Any revisions that increase the total budgeted expenditures of any fund must be approved by the Mayor and Board of Aldermen. Expenditures may not legally exceed budgeted appropriations at the Fund level without Mayor and Board of Aldermen approval.
- e. Formal budgetary integration in the form of legally adopted budgets is employed as a management control device for all funds. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted expenditures reported are as amended, if applicable, by supplemental appropriations of the Mayor and Board of Aldermen.

Encumbrance accounting, under which purchase orders, contacts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town. Unexpended appropriations of these governmental funds automatically lapse at the end of the fiscal year.

In accordance with GASB 34, a budgetary comparison schedule is presented for the General Fund, the Sidewalk Capital Project Fund, and the State Street Aid Fund, the major funds.

15. EXCESS EXPENDITURES OVER BUDGET

	<u>Current Year Expenditures Over Budget</u>		<u>Cumulative (Deficit) Fund Balance</u>
General Fund		\$	576,712
Police:			
Salaries	\$ 10,820		
Fringe Benefits	\$ 72		
Other Expense	\$ 264		
Capital Outlay	\$ 1,891		
Fire:			
Capital Outlay	\$ 9,002		
State Street Aid Fund	N/A	\$	102,358
Drug Fund	N/A	\$	3,422
Sidewalk Fund	N/A	\$	177,411
Senior Citizen Fund	N/A	\$	37,662

TOWN OF DOVER, TENNESSEE
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2011

1. SCHEDULE OF FUNDING PROGRESS FOR PENSION PLAN

(Dollars amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$1,442	\$1,735	\$294	83.08%	\$720	40.80%
July 1, 2007	\$1,319	\$1,524	\$205	86.55%	\$661	31.01%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of 2007 actuarial valuation, therefore only the two most recent valuations are presented.

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-
 SIDEWALK PROJECT FUND
 FOR THE YEAR ENDED JUNE 30, 2011

SIDEWALK PROJECT

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Grant Revenues	\$ -	\$ 49,175	\$ 49,175	\$ -
Proceeds from Borrowing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>49,175</u>	<u>49,175</u>	<u>-</u>
Expenditures:				
Capital Outlay	<u>-</u>	<u>82,151</u>	<u>71,404</u>	<u>10,747</u>
Total Expenditures	<u>-</u>	<u>82,151</u>	<u>71,404</u>	<u>10,747</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (32,976)</u>	(22,229)	<u>\$ 10,747</u>
Fund Balance, Beginning			<u>199,640</u>	
Fund Balance, Ending			<u>\$ 177,411</u>	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 COMBINING BALANCE SHEET-
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Drug Special Revenue Fund	Senior Citizen Projects Fund	Total Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Restricted Cash and Cash Equivalents	\$ 3,422	\$ 37,662	\$ 41,084
Total Assets	<u>3,422</u>	<u>37,662</u>	<u>41,084</u>
Fund Equity			
Fund Balance	<u>3,422</u>	<u>37,662</u>	<u>41,084</u>
Total Liabilities and Fund Equity	<u>\$ 3,422</u>	<u>\$ 37,662</u>	<u>\$ 41,084</u>

TOWN OF DOVER, TENNESSEE
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES-
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Drug Special Revenue Fund	Senior Citizen Projects Fund	Total Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Drug Related Fines	\$ 115	\$ -	\$ 115
Interest Revenues	<u>12</u>	<u>-</u>	<u>12</u>
Total Revenue	<u>127</u>	<u>-</u>	<u>127</u>
Expenditures:			
Capital Outlay	<u>-</u>	<u>4,977</u>	<u>4,977</u>
Total Expenditures	<u>-</u>	<u>4,977</u>	<u>4,977</u>
Revenues Over (Under) Expenditures	127	(4,977)	(4,850)
Fund Balance, Beginning	<u>3,295</u>	<u>42,639</u>	<u>45,934</u>
Fund Balance, Ending	<u>\$ 3,422</u>	<u>\$ 37,662</u>	<u>\$ 41,084</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

1. DRUG FUND

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Drug related fines	\$ 500	\$ 115	\$ 115	\$ -
Interest Revenue	<u>10</u>	<u>12</u>	<u>12</u>	<u>-</u>
Total Revenues	<u>510</u>	<u>127</u>	<u>127</u>	<u>-</u>
Expenditures:				
Bank Charges	90	-	-	-
Other Expenses	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>\$ (30)</u>	<u>\$ 127</u>	127	<u>\$ -</u>
Fund Balance, Beginning			<u>3,295</u>	
Fund Balance, Ending			<u>\$ 3,422</u>	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-
 CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

SENIOR CITIZEN

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Proceeds from Borrowing	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital Outlay	-	4,977	4,977	-
Total Expenditures	<u>-</u>	<u>4,977</u>	<u>4,977</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (4,977)</u>	(4,977)	<u>\$ -</u>
Fund Balance, Beginning			<u>42,639</u>	
Fund Balance, Ending			<u>\$ 37,662</u>	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

CFDA Number	Grant Number	Program Name	Grantor Agency/ Pass-Through Agency	Balance 6/30/2010 (Receivable)	Receipts	Amount Paid, Earned or Expenditures	Balance 6/30/2011 (Receivable)
<u>FEDERAL AWARDS</u>							
14.239	HM-09-19	Home Grant	THDA	\$ -	\$ 34,945	\$ 34,945	\$ -
20.205	050245	Surface Transportation Program	TDOT	-	-	49,175	(49,175)
20.600	PT-10-14	Highway Safety	USDOT/TDOT	(1,367)	9,893	8,526	-
20.600	PT-11-12	Highway Safety	USDOT/TDOT	-	3,814	6,062	(2,248)
20.601	KB-10-90	Highway Safety	USDOT/TDOT	(4,935)	4,935	-	-
97.036	Disaster # 1909	Presidentially Declared Disasters	USDHS/TDOM/TEMA	(13,427)	13,427	-	-
		Total Federal Awards		<u>(19,729)</u>	<u>67,014</u>	<u>98,708</u>	<u>(51,423)</u>
<u>STATE AWARDS</u>							
N/A	N/A	Safety Grant	TML	-	908	908	-
97.036	Disaster # 1909	Presidentially Declared Disasters	USDHS/TDOM/TEMA	(746)	-	-	(746)
		Total State Awards		<u>(746)</u>	<u>908</u>	<u>908</u>	<u>(746)</u>
		Total Federal and State Awards		<u>\$ (20,475)</u>	<u>\$ 67,922</u>	<u>\$ 99,616</u>	<u>\$ (52,169)</u>

Note A: This report was prepared utilizing the accrual basis of accounting.

SEE AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION- (UNAUDITED)
JUNE 30, 2011

1. OFFICIAL BONDS OF PRINCIPAL OFFICIALS OF DOVER FOR THE YEAR ENDED JUNE 30, 2011

<u>Name</u>	<u>Title</u>	<u>Bond</u>
Tim Barrow	Alderman	N/A
Paul Berry	Alderman	N/A
Terry Odom	Alderman	N/A
Dalton Bagwell	Alderman	N/A
Lesa Fitzhugh	Mayor	300,000
Jimmy Scurlock	Administrator	300,000
Melinda Holliday	Clerk	300,000
Kim Wallace	Police Chief	300,000
Marlin Blane	City Judge	50,000

2. PROPERTY TAXES

a. Pertinent Property Tax Information

<u>Calendar Year</u>	<u>Rate per \$100</u>	<u>Assessed Value</u>	<u>Tax Levied</u>	<u>Net Adj. Collections</u>	<u>Audit Date</u>	<u>Cumulative Amount Unpaid</u>
2010	0.95	\$ 34,212,701	\$ 325,050	\$ 313,374	6/28/2011	\$ 36,388 *
2009	0.95	34,485,993	327,650	325,225	6/29/2010	36,388
2008	1.20	27,216,454	326,597	320,913	6/30/2009	32,164
2007	1.20	27,262,900	327,155	322,623	6/30/2008	26,421
2006	0.88	25,215,900	221,900	223,823	6/30/2007	21,889
2005	0.88	24,477,300	215,400	207,107	6/30/2006	23,812
2004	0.88	23,516,700	206,947	203,517	6/30/2005	15,519
2003	0.88	23,717,000	208,710	202,936	6/30/2004	12,089
2002	0.99	20,724,200	205,170	204,814	6/30/2003	6,315
2001	0.75	\$ 20,127,200	\$ 150,954	\$ 149,344	6/30/2002	\$ 5,959

* Does not include \$375,000 GASB 33 accrual for 2011 taxes. Also, this amount is 100% reserved for uncollectible accounts and does not show on the governmental funds balance sheet.

SEE AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION-CONT'D (UNAUDITED)
JUNE 30, 2011

b. Changes in Property Taxes Receivables

The Town of Dover has right of enforcement against property holders for unpaid taxes. A schedule of changes in property taxes receivable is as follows:

Tax Year	Gross Property Taxes Receivable June 30, 2010	Property Tax Levied	Anticipated Current Year Levy	Collections/ Adjustments	Allowance for Uncollectibles	Net Property Taxes Receivable June 30, 2011
2011 (accrued)	\$ -	\$ -	\$ 375,000	\$ -	\$ -	\$ 375,000
2010	-	325,050	-	(313,374)	(11,676)	-
2009	13,912	-	-	(7,735)	(6,177)	-
2008	9,953	-	-	(2,717)	(7,236)	-
2007	6,321	-	-	(1,224)	(5,097)	-
2006	2,859	-	-	-	(2,859)	-
2005	1,955	-	-	-	(1,955)	-
2004	1,156	-	-	-	(1,156)	-
2003	97	-	-	-	(97)	-
2002	36	-	-	-	(36)	-
2001 & prior	99	-	-	-	(99)	-
Totals	<u>\$ 36,388</u>	<u>\$ 325,050</u>	<u>\$ 375,000</u>	<u>\$ (325,050)</u>	<u>\$ (36,388)</u>	<u>\$ 375,000</u>

Note: All property taxes prior to 2011 are 100% reserved as uncollectible.

3. WATER AND SEWER DEPARTMENT

1. Rate Structure

a. Water Rate

Non-Industrial Customers Inside City Limits

First 1,000 gallons	\$6.70 minimum
Next 2,000 gallons	\$6.70 per thousand gallons
Over 3,000 gallons	\$5.50 per thousand gallons

Non-Industrial Customers Outside City Limits

First 1,000 gallons	\$13.90 minimum
Next 2,000 gallons	\$13.15 per thousand gallons
Over 3,000 gallons	\$10.30 per thousand gallons

Industrial Customers

Base Charge	\$38.00
All Water	\$ 3.80 per thousand gallons

SEE AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 OTHER SUPPLEMENTAL INFORMATION-CONT'D (UNAUDITED)
 JUNE 30, 2011

3. WATER AND SEWER DEPARTMENT (CONT'D)

Wholesale Customers
 All Water \$ 3.80 per thousand gallons

b. Sewer Rates

The sewer rates for all customers within the corporate limits of the municipality are 140% of the established water rates.

2. Number of Customers

Residential Water Customers Inside City	558
Non-Residential Customers Inside City	101
Residential Water Customers Outside City	662
Industrial and Commercial Water Customers Outside City	29
Sewer Customers Inside City	659

3. Schedule of Unaccounted for Water (All Amounts in Gallons)

Water Treated and Purchased:		
Water Pumped (potable)	92,880,000	
Water Purchased	0	
Total Water Treated and Purchased	92,880,000	92,880,000
Accounted for Water:		
Water Sold	65,230,700	
Metered for Consumption (in house usage)	7,616,600	
Fire Department(s) Usage	144,390	
Flushing	2,372,576	
Tank Cleaning/Filling	0	
Street Cleaning	0	
Bulk Sales	301,606	
Water Bill Adjustments/ plus or (minus)	740,200	
Total Accounted for Water	76,406,072	76,406,072
Unaccounted for Water		16,473,928
Percent Unaccounted for Water		17.74%

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if line item is not applicable, a "0" is shown.

SEE AUDITOR'S REPORT.



THURMAN CAMPBELL GROUP, PLC
CERTIFIED PUBLIC ACCOUNTANTS

Members

American Institute of
Certified Public Accountants

Tennessee Society of
Certified Public Accountants

Kentucky Society of
Certified Public Accountants

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 Board of Aldermen
Town of Dover
P.O. Box 447
Dover, TN 37058

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dover, Tennessee (the Town), as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and requirements prescribed by the Comptroller of the Treasury, State of Tennessee, as detailed in the Audit Manual.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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. We consider the deficiency described in the accompanying schedule of findings and responses as 2011-01 to be a material weakness.

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 deficiency described in the accompany schedule of findings and responses as 2011-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, board of aldermen, others within the entity, and federal or state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thurman Campbell Group, PLC

December 12, 2011

TOWN OF DOVER, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

2011-01 MANAGEMENT OVERSIGHT OF FINANCIAL REPORTING (REPEAT)

We noted control deficiencies in management oversight of the accounting for receivables, long term debt and capital assets. Adjusting entries were required for the Town's financial statements to be presented in conformity with generally accepted accounting principles.

RECOMMENDATION

We recommend management implement procedures to ensure that the financial statements are prepared in conformity with generally accepted accounting principles.

RESPONSE

The Town will continue to improve on its financial reporting process. Management will establish procedures to ensure that receivables, long term debt and capital assets are maintained in an appropriate manner and that all financial transactions are recorded in accordance with generally accepted accounting principles (GAAP).

2011-02 TRAINING (REPEAT)

Accounting staff should have adequate training and background to issue financial statements and related disclosures in accordance with GAAP. We understand that accounting staff resources limit their ability to issue complete GAAP financial statements; however, management and those charged with governance do not have a complete set of relevant financial statements until the annual audit is complete.

RECOMMENDATION

We recommend that, as resources allow, management engage in the necessary training to bring the accounting staff current on GAAP requirements.

RESPONSE

Town's accounting personnel are attending the Certified Municipal Finance Officer program (CMFO) to further understand and prepare relevant financial statements.