

TOWN OF DOVER, TENNESSEE
FINANCIAL STATEMENTS
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
YEAR ENDED JUNE 30, 2010

TOWN OF DOVER, TENNESSEE
JUNE 30, 2010

Table of Contents

	<u>Page</u>
Table of Contents	1
<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	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet-Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to The Statement of Activities	18
Statement of Net Assets-Proprietary Fund	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Fund	20
Statement of Cash Flows-Proprietary Fund	21
Budgetary Comparison Statement-General Fund	22
Budgetary Comparison Statement-State Street Aid	25
Notes to Financial Statements	26
Required Supplementary Information:	
Schedule of Funding Progress for Pension Plan	41
Supplementary Information:	
Non-Major Funds Combining Statements and Schedules:	
Combining Balance Sheet-Other Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Other Governmental Funds	42
Budgetary Comparison Schedule- Special Revenue Funds	43
Budgetary Comparison Schedule- Capital Project Fund	44
Schedule of Expenditures of Federal and State Awards	45
Other Supplemental Information (Unaudited)	46
<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	49
Schedule of Findings and Responses	51

TOWN OF DOVER, TENNESSEE
JUNE 30, 2010

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 1,442 according to the latest estimate by Town officials. According to the U.S. Census Bureau, population in prior years was estimated as follows:

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	2014
Paul Berry	Alderman/Vice Mayor	2012
Dalton Bagwell	Alderman	2014
Terry Odom	Alderman	2012

D. Roster of Management Employees

Jeffrey M. Knott	Administrator
Melinda Holliday	Clerk
Tony Miller	Water & Wastewater Superintendent
Kim Wallace	Police 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

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

INDEPENDENT AUDITOR'S REPORT

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, 2010, which collectively comprise the Town'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 and 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. 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, 2010, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for General Fund and State Street Aid Special Revenue Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, 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 on pages 5 through 11 and additional required supplementary information 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, 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 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 it.

Thurman Campbell Group, PLC

November 29, 2010

TOWN OF DOVER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2010

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, 2010. 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 \$5,815,371. Of this amount, \$965,248 (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 \$167,501.
- At June 30, 2010, the Town's governmental funds reported combined ending fund balances of \$894,935, an increase of \$189,439 in comparison with the prior year. The increase was primarily due to revenues exceeding expenditures in the sidewalk capital projects fund by \$194,512. While the General Fund increased its fund balance by \$8,058, other governmental funds had a net increase of \$181,381. The fund balances of \$894,935 are available for spending at the government's discretion for the General Fund (\$550,578), exclusively for State Street Aid purposes (\$98,783), and for other governmental funds (\$245,574).
- At June 30, 2010 unreserved fund balance for the General Fund was \$550,578, or 44.1% of total general fund expenditures. The reserved fund balance for the State Street Aid Fund was \$98,783, or 366% of total State Street Aid Fund expenditures.
- The Town's total long-term debt increased by \$103,042 during the year ended June 30, 2010. Of this amount, general funds issued long-term debt for sidewalk construction for \$283,500. Payments on governmental long-term debt amounted to \$141,655; payments on total water and sewer debt amounted to \$52,549.
- The Town's capital assets increased by \$400,650 during the year ended June 30, 2010. This was due to land, infrastructure, construction in progress, and equipment acquisitions in both the governmental funds (\$124,803) and in the Water and Sewer Fund (\$294,937).

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 12-13 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 14-18 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 19-21 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 26-40 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 42 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 \$5,815,371 at the close of fiscal year 2010.

By far the largest portion of the Town’s net assets (67.4%) 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**

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$1,500,759	\$1,316,871	\$ 866,860	\$1,156,408	\$2,367,619	2,473,279
Capital assets	2,293,656	2,278,498	7,042,212	7,009,524	9,335,868	9,288,022
Total assets	<u>3,794,415</u>	<u>3,595,369</u>	<u>7,909,072</u>	<u>8,165,932</u>	<u>11,703,487</u>	<u>11,761,301</u>
Long-term liabilities outstanding	1,866,390	1,801,693	3,508,030	3,617,873	5,374,420	5,419,566
Other liabilities	430,708	340,497	82,988	18,366	513,696	358,863
Total liabilities	<u>2,297,098</u>	<u>2,142,190</u>	<u>3,591,018</u>	<u>3,636,239</u>	<u>5,888,116</u>	<u>5,778,429</u>
Net Assets:						
Invested in capital assets, net of related debt	372,344	499,031	3,546,394	3,391,651	3,918,738	3,890,682
Restricted	344,357	162,283	587,028	475,451	931,385	637,734
Unrestricted	780,616	791,865	184,632	662,591	965,248	1,454,456
Total net assets	<u>\$1,497,317</u>	<u>\$1,453,179</u>	<u>\$4,318,054</u>	<u>\$4,529,693</u>	<u>\$5,815,371</u>	<u>\$5,982,872</u>

At year end \$931,385 of the Town’s net assets (16.0%) represented resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$965,248) may be used to meet the government’s ongoing obligations to citizens and creditors.

At June 30, 2010 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 154,403	\$ 307,153	\$1,009,012	\$ 941,174	\$1,163,415	\$1,248,327
Operating grants and contributions	78,573	33,049	-	-	78,573	33,049
Capital grants and contributions	50,000	-	-	220,759	50,000	220,759
General Revenues:						
Local taxes	879,383	809,461	-	-	879,383	809,461
Intergovernmental	30,625	181,826	-	-	30,625	181,826
Interest on investments	3,937	5,099	5,446	9,381	9,383	14,480
Other	95,091	140,954	-	-	95,091	140,954
Total revenues	<u>1,292,012</u>	<u>1,477,542</u>	<u>1,014,458</u>	<u>1,171,314</u>	<u>2,306,470</u>	<u>2,648,856</u>
Expenses:						
General government	479,448	433,308	-	-	479,448	433,308
Public safety	509,583	483,610	-	-	509,583	483,610
Highway and streets	136,483	130,481	-	-	136,483	130,481
Drug Enforcement	-	61,893	-	-	-	61,893
Parks and recreation	49,886	57,537	-	-	49,886	57,537
Sanitation	-	78,952	79,266	-	79,266	78,952
Interest on Long-Term Debt	73,166	74,179	-	-	73,166	74,179
Water and sewer	-	-	1,146,139	1,079,507	1,146,139	1,079,507
Total expenses	<u>1,248,566</u>	<u>1,319,960</u>	<u>1,225,405</u>	<u>1,079,507</u>	<u>2,473,971</u>	<u>2,399,467</u>
Increase in net assets	43,446	157,582	(210,947)	91,807	(167,501)	249,389
Net assets - Beginning (See Note 14)	<u>1,453,871</u>	<u>1,295,597</u>	<u>4,529,001</u>	<u>4,437,886</u>	<u>5,982,872</u>	<u>5,733,483</u>
Net assets - Ending	<u>\$1,497,317</u>	<u>\$1,453,179</u>	<u>\$4,318,054</u>	<u>\$4,529,693</u>	<u>\$5,815,371</u>	<u>\$5,982,872</u>

The government's net assets decreased \$167,501 during the current fiscal year. Of this, governmental net assets increased \$43,446 primarily due to sidewalk capital fund operations. Business-type activity (water and sewer fund) net assets decreased \$210,947, 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 \$43,446 in comparison with the prior year. The increase was due primarily to revenues exceeding expenditures in the sidewalk capital fund by \$194,512.
- Capital outlay was more than depreciation expense in the current period by \$15,158.
- Debt for the town increased by the net amount of \$ 153,657 .

Business-type activities: Business-type activities decreased the Town's net assets by \$210,947. Key elements of the decrease are as follows:

- Program revenues decreased from FY 2009 by \$156,856 while expenses for the same period increased by \$145,898.
- 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, unreserved 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 \$894,935, an increase of \$189,439 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, unreserved fund balance of the general fund was \$550,578. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 44.1% of total general fund expenditures. The entire general fund balance is unreserved.

The fund balance of the Town's general fund increased \$8,058 during the current fiscal year. Key factors in this increase are:

- General operating revenues exceeded general expenditures.

The state street aid fund has a total fund balance of \$98,783, all of which is reserved 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 \$12,094, 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 \$199,640 which is reserved for expenditures relating to the sidewalk improvement project in Dover. Revenues and other financing sources exceeded expenditures by \$194,512 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 \$180,776. The total decrease in net assets for the Water and Sewer fund was \$215,495. Part of the decrease was from additional interest expense incurred on the 2007 Sewer Revenue Bonds. 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 \$3,856. Due to a change in presentation of the financial statements the Sanitation fund has been presented as a proprietary fund as of June 30, 2010.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- General fund revenues were not amended during the year. Actual amounts were below budgeted amounts by \$38,307.
- Operating budget for most of the general fund activities in police, streets, and parks and recreation were amended to reflect actual costs of operations. Other activities, including debt service expenditures, were not amended in sufficient amounts which resulted in actual expenditures for the general fund to exceed budgeted amounts by \$38,896.

Capital Asset and Debt Administration

At the end of fiscal year 2010, the Town had \$9,335,868 (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 \$400,650.

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

- Acquisition of land, infrastructure, and equipment in the amount of \$ 373,540
- Construction in progress in the water and sewer fund in the amount of \$46,200
- Write-off of equipment in the amount of \$19,090

Additional information on the Town's capital assets can be found in Note 5 on page 34 of this report.

The following tables summarize the Town's capital assets and changes therein, for the year ended June 30, 2010. These changes are presented in detail in Note 5 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Infrastructure	\$ 180,873	\$ 134,501	\$ -	\$ -	\$ 180,873	\$ 134,501
Land	212,956	191,956	108,710	100,710	321,666	292,666
Buildings	2,838,105	2,838,105	143,397	143,397	2,981,502	2,981,502
Utility System	-	-	10,315,622	10,236,004	10,315,622	10,236,004
Construction in Progress	-	-	46,200	-	46,200	-
Equipment	829,870	791,531	260,440	99,321	1,090,310	890,852
Total Capital Assets	4,061,804	3,956,093	10,874,369	10,579,432	14,936,173	14,535,525
Less: Accum. Deprec.	(1,768,148)	(1,677,595)	(3,832,157)	(3,569,908)	(5,600,305)	(5,247,503)
Total, Net of Deprec.	<u>\$ 2,293,656</u>	<u>\$ 2,278,498</u>	<u>\$ 7,042,212</u>	<u>\$ 7,009,524</u>	<u>\$ 9,335,868</u>	<u>\$ 9,288,022</u>

Long-term debt: At the end of the current fiscal year, the Town had total bonded debt outstanding of \$5,473,305. Of this amount \$1,921,312 comprises debts backed by the full faith and credit of the government and \$3,551,993 represents bonds secured primarily by a specified revenue source with a full faith and credit pledge.

**TOWN OF DOVER, TENNESSEE
OUTSTANDING DEBT**

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 1,921,312	\$ 1,779,467	\$ -	\$ -	\$ 1,921,312	\$ 1,779,467
Revenue Bonds	-	-	3,551,993	3,604,542	3,551,993	3,604,542
Total	<u>\$ 1,921,312</u>	<u>\$ 1,779,467</u>	<u>\$ 3,551,993</u>	<u>\$ 3,604,542</u>	<u>\$ 5,473,305</u>	<u>\$ 5,384,009</u>

The Town's total bonded debt increased \$89,296 during the current fiscal year. Of this amount, general obligation debt increased by \$141,845 while water and sewer bonded debt decreased by \$52,549.

Additional information on the Town's long-term debt can be found in Note 4 on pages 31-33.

Economic Factors and Next Year's Budget and Rates

Factors considered in preparing the Town's budget for the 2010 fiscal year include the following:

- The 2010 unemployment rate for Dover and Stewart County was 10.1%, compared to the State's rate of 9.4% and the national average unemployment rate of 9.8%.
- 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 2010 due to the economic slowdown.

At June 30, 2010 the unreserved fund balance in the general fund was \$550,578 while the unreserved fund balance in the state street aid fund was \$98,783. The Town has approved an operating budget for the General Fund of \$1.15 million for fiscal year 2011 with no planned change in unreserved general fund balance. The property tax rate remained at \$0.95 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, 2010 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, 2010

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 481,900	\$ 148,638	\$ 630,538
Receivables (Net of Uncollectibles):			
Property Tax	315,000	-	315,000
Customer Service	-	114,505	114,505
Grants	20,475	-	20,475
Note-Current Portion	2,675	-	2,675
Other	2,135	-	2,135
Due from Other Governments	115,250	5,302	120,552
Interfund Accounts	(2,490)	2,490	-
Inventory of Supplies, at Cost	-	8,897	8,897
Restricted Cash and Cash Equivalents	351,806	587,028	938,834
Note Receivable-Noncurrent Portion	214,008	-	214,008
Capital Assets:			
Capital Assets Not Depreciated	212,956	154,910	367,866
Capital Assets, Net	2,080,700	6,887,302	8,968,002
Total Assets	\$ 3,794,415	\$ 7,909,072	\$ 11,703,487
Liabilities:			
Accounts Payable	\$ 5,800	\$ 3,400	\$ 9,200
Contracts Payable-Retainage	4,949	-	4,949
Accrued Liabilities	15,999	8,970	24,969
Deferred Property Tax	315,000	-	315,000
Accrued Compensated Absences-Current	6,808	3,053	9,861
Bonds and Notes Payable-Current	82,152	56,175	138,327
Customer Deposits	-	11,390	11,390
Accrued Compensated Absences-Noncurrent	27,230	12,212	39,442
Bonds and Notes Payable-Noncurrent	1,839,160	3,495,818	5,334,978
Total Liabilities	\$ 2,297,098	\$ 3,591,018	\$ 5,888,116
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 372,344	\$ 3,546,394	\$ 3,918,738
Restricted for:			
Debt Service	-	587,028	587,028
Senior Citizens Fund	42,639	-	42,639
State Street Aid Fund	98,783	-	98,783
Sidewalks Fund	199,640	-	199,640
Drug Fund	3,295	-	3,295
Unrestricted	780,616	184,632	965,248
Total Net Assets	\$ 1,497,317	\$ 4,318,054	\$ 5,815,371

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/ Programs	Program Revenues				Net Revenue (Expenses) and Changes in Net Assets Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities</u>							
General Government	\$ 479,448	\$ 24,950	\$ 16,901	\$ -	\$ (437,597)	\$ -	\$ (437,597)
Public Safety	509,583	104,559	20,414	-	(384,610)	-	(384,610)
Highways and Streets	136,483	-	41,258	50,000	(45,225)	-	(45,225)
Parks and Recreation	49,886	-	-	-	(49,886)	-	(49,886)
Licenses and Permits	-	24,894	-	-	24,894	-	24,894
Interest on Long-Term Debt	73,166	-	-	-	(73,166)	-	(73,166)
Total Governmental Activities	<u>1,248,566</u>	<u>154,403</u>	<u>78,573</u>	<u>50,000</u>	<u>(965,590)</u>	<u>-</u>	<u>(965,590)</u>
<u>Business-Type Activities</u>							
Sanitation	79,266	83,814	-	-	-	4,548	4,548
Water and Sewer Utility	1,146,139	925,198	-	-	-	(220,941)	(220,941)
Total Business-Type Activities	<u>1,225,405</u>	<u>1,009,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216,393)</u>	<u>(216,393)</u>
Total Functions/Programs	<u>\$ 2,473,971</u>	<u>\$ 1,163,415</u>	<u>\$ 78,573</u>	<u>\$ 50,000</u>	<u>\$ (965,590)</u>	<u>\$ (216,393)</u>	<u>\$ (1,181,983)</u>
<u>General Revenues</u>							
Property Tax					\$ 320,013	\$ -	\$ 320,013
Business Tax					15,103	-	15,103
Local Option Sales Tax					399,094	-	399,094
Wholesale Beer Tax					52,984	-	52,984
State Sales Tax					91,789	-	91,789
Other Intergovernmental					30,625	-	30,625
Investment Income					3,937	5,446	9,383
Other Tax					400	-	400
Other					95,091	-	95,091
Total General Revenues					<u>1,009,036</u>	<u>5,446</u>	<u>1,014,482</u>
Change in Net Assets					43,446	(210,947)	(167,501)
Net Assets, Beginning of Year (See Note 14)					<u>1,453,871</u>	<u>4,529,001</u>	<u>5,982,872</u>
Net Assets, End of Year					<u>\$ 1,497,317</u>	<u>\$ 4,318,054</u>	<u>\$ 5,815,371</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Sidewalk Capital Fund	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
 <u>ASSETS</u>					
Cash and Cash Equivalents	\$ 481,900	\$ -	\$ -	\$ -	\$ 481,900
Restricted Cash and Cash Equivalents	-	210,389	95,483	45,934	351,806
Receivables, Net of Uncollectibles					
Property Taxes	315,000	-	-	-	315,000
Grants	20,475	-	-	-	20,475
Other	2,135	-	-	-	2,135
Due From Other Governments	108,650	-	6,600	-	115,250
 Total Assets	\$ 928,160	\$ 210,389	\$ 102,083	\$ 45,934	\$ 1,286,566
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ -	\$ 5,800	\$ -	\$ -	\$ 5,800
Contracts Payable-Retainage	-	4,949	-	-	4,949
Accrued Liabilities	15,999	-	-	-	15,999
Due to Other Funds	2,490	-	-	-	2,490
Deferred Revenue	359,093	-	3,300	-	362,393
 Total Liabilities	377,582	10,749	3,300	-	391,631
 Fund Balances:					
Unreserved, Reported in:					
General Fund	550,578	-	-	-	550,578
Senior Citizens Fund	-	-	-	42,639	42,639
State Street Aid	-	-	98,783	-	98,783
Sidewalks Fund	-	199,640	-	-	199,640
Drug Fund	-	-	-	3,295	3,295
 Total Fund Balance	550,578	199,640	98,783	45,934	894,935
 Total Liabilities and Fund Balances	\$ 928,160	\$ 210,389	\$ 102,083	\$ 45,934	\$ 1,286,566

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, 2010

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

Total fund balance - total governmental funds	\$	894,935
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds		2,293,656
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		216,683
Long-term accrued compensated absences		(34,038)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,921,312)</u>
Net assets of governmental activities	\$	<u><u>1,497,317</u></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, 2010

	General Fund	Sidewalk Capital Fund	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property Tax	\$ 324,943	\$ -	\$ -	\$ -	\$ 324,943
Business Tax	15,103	-	-	-	15,103
Local Option Sales Tax	399,094	-	-	-	399,094
Wholesale Beer Tax	52,984	-	-	-	52,984
Other Tax	400	-	-	-	400
Intergovernmental:					
State Sales Tax	91,789	-	-	-	91,789
State Income Tax	12,760	-	-	-	12,760
State Beer Tax	715	-	-	-	715
TVA In-Lieu of Tax	15,863	-	-	-	15,863
Excise Tax	1,139	-	-	-	1,139
Gas 1989 Tax	-	-	4,225	-	4,225
Gas 3 Cent Tax	-	-	7,841	-	7,841
Gasoline and Motor Fuel Tax	-	-	26,096	-	26,096
Petroleum Special	2,322	-	-	-	2,322
Telecommunications Sales Tax	148	-	-	-	148
City Streets and Transportation	774	-	-	-	774
Operating and Capital Grants	37,315	50,000	-	-	87,315
Licenses and Permits	24,894	-	-	-	24,894
Investment Income	3,007	-	920	10	3,937
Charges for Services	24,950	-	-	-	24,950
Fines and Forfeits	103,829	-	-	730	104,559
Rent	12,000	-	-	-	12,000
Miscellaneous	82,064	-	-	-	82,064
	<u>82,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,064</u>
Total Revenues	\$ 1,206,093	\$ 50,000	\$ 39,082	\$ 740	\$ 1,295,915

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, 2010

	<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	\$ 388,887	\$ -	\$ -	\$ -	\$ 388,887
Public Safety	474,022	-	-	347	474,369
Highways and Streets	127,181	-	-	-	127,181
Parks and Recreation	46,887	-	-	-	46,887
Capital Outlay	25,030	90,071	703	25,618	141,422
Debt Service	<u>185,972</u>	<u>-</u>	<u>26,285</u>	<u>-</u>	<u>212,257</u>
Total Expenditures	<u>1,247,979</u>	<u>90,071</u>	<u>26,988</u>	<u>25,965</u>	<u>1,391,003</u>
Revenues Over (Under) Expenditures	<u>(41,886)</u>	<u>(40,071)</u>	<u>12,094</u>	<u>(25,225)</u>	<u>(95,088)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfer In	48,917	-	-	-	48,917
Operating Transfer Out	-	(48,917)	-	-	(48,917)
Sale of Property	1,027	-	-	-	1,027
Proceeds From Borrowings	<u>-</u>	<u>283,500</u>	<u>-</u>	<u>-</u>	<u>283,500</u>
Total Other	<u>49,944</u>	<u>234,583</u>	<u>-</u>	<u>-</u>	<u>284,527</u>
Net Change in Fund Balance	8,058	194,512	12,094	(25,225)	189,439
Fund Balance, Beginning (See Note 14)	<u>542,520</u>	<u>5,128</u>	<u>86,689</u>	<u>71,159</u>	<u>705,496</u>
Fund Balance, Ending	<u>\$ 550,578</u>	<u>\$ 199,640</u>	<u>\$ 98,783</u>	<u>\$ 45,934</u>	<u>\$ 894,935</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, 2010

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

Net change in fund balances - total government funds	\$	189,439
<p>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. This is the amount by which capital outlays exceeded (was less than) depreciation in the current period.</p>		
		15,158
<p>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.</p>		
Deduct- collections on note receivable		(2,564)
<p>Deferred revenue on fund statements is part of net assets on the entity-wide statements on the accrual basis</p>		
		(4,930)
<p>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.</p>		
Deduct- increase in the accrual for compensated absences		(11,812)
<p>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.</p>		
		<u>(141,845)</u>
Change in net assets of governmental activities	\$	<u><u>43,446</u></u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT

TOWN OF DOVER, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Water and Sewer Fund	Solid Waste Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 144,782	\$ 3,856	\$ 148,638
Customer Receivables (Net of Uncollectibles)	114,505	-	114,505
Due From Other Government	5,302	-	5,302
Due From Other Funds	2,490	-	2,490
Inventory of Supplies, at Cost	8,897	-	8,897
Total Current Assets	275,976	3,856	279,832
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	587,028	-	587,028
Capital Assets:			
Capital Assets -Not Depreciated	154,910	-	154,910
Capital Assets (Net of Accumulated Depreciation)	6,887,302	-	6,887,302
Total Noncurrent Assets	7,629,240	-	7,629,240
Total Assets	\$ 7,905,216	\$ 3,856	7,909,072
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 3,400	\$ -	\$ 3,400
Accrued Liabilities	8,970	-	8,970
Customer Deposits	11,390	-	11,390
Accrued Compensated Absences-Current	3,053	-	3,053
Bonds and Notes Payable-Current	56,175	-	56,175
Total Current Liabilities	82,988	-	82,988
Noncurrent Liabilities:			
Accrued Compensated Absences-Noncurrent	12,212	-	12,212
Bonds and Notes Payable-Noncurrent	3,495,818	-	3,495,818
Total Noncurrent Liabilities	3,508,030	-	3,508,030
Total Liabilities	3,591,018	-	3,591,018
<u>NET ASSETS</u>			
Invested in Capital Assets,			
Net of Related Debt	3,546,394	-	3,546,394
Restricted	587,028	-	587,028
Unrestricted	180,776	3,856	184,632
Total Net Assets	\$ 4,314,198	\$ 3,856	\$ 4,318,054

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, 2010

	Water and Sewer <u>Fund</u>	Solid Waste <u>Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 917,745	\$ 83,814	\$ 1,001,559
Operating Expenses:			
Personnel	366,599	-	366,599
Utilities	93,015	-	93,015
Professional Services	30,451	-	30,451
Data Processing	8,674	-	8,674
Repair and Maintenance	43,110	-	43,110
Office	9,310	-	9,310
Rent	12,263	-	12,263
Materials and Supplies	91,220	-	91,220
Vehicle	13,190	-	13,190
Insurance	26,398	-	26,398
Contractual Services	-	69,460	69,460
Bank Charges	2,299	-	2,299
Depreciation	262,249	-	262,249
Other Expenses	<u>16,792</u>	<u>9,806</u>	<u>26,598</u>
Total Operating Expenses	<u>975,570</u>	<u>79,266</u>	<u>1,054,836</u>
Operating Income	(57,825)	4,548	(53,277)
Non-Operating Revenues (Expenses)			
Interest Income	5,446	-	5,446
Bond and Note Interest	(170,569)	-	(170,569)
Other Revenues (Expenses)	<u>7,453</u>	<u>-</u>	<u>7,453</u>
Total Non-Operating Revenues (Expenses)	<u>(157,670)</u>	<u>-</u>	<u>(157,670)</u>
Change in Net Assets	(215,495)	4,548	(210,947)
Net Assets, Beginning (See Note 14)	<u>4,529,693</u>	<u>(692)</u>	<u>4,529,001</u>
Net Assets, Ending	<u>\$ 4,314,198</u>	<u>\$ 3,856</u>	<u>\$ 4,318,054</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	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	\$ 929,413	\$ 83,814	\$ 1,013,227
Cash Payments for Operations	(344,239)	(79,266)	(423,505)
Cash Payments for Personnel	(364,665)	-	(364,665)
Net Cash Provided By (Used In) Operating Activities	<u>220,509</u>	<u>4,548</u>	<u>225,057</u>
Cash Flows from Non-Capital Financing Activities:			
Change in Interfund Account	(3,264)	(4,501)	(7,765)
Other Income	7,453	-	7,453
Net Cash Provided By (Used In) Non-Capital Financing Activities	<u>4,189</u>	<u>(4,501)</u>	<u>(312)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Fixed Assets	(294,937)	-	(294,937)
Debt Service Principal Paid	(52,549)	-	(52,549)
Debt Service Interest Paid	(167,642)	-	(167,642)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(515,128)</u>	<u>-</u>	<u>(515,128)</u>
Cash Flows from Investing Activities:			
Interest on Investments	5,446	-	5,446
Net Increase (Decrease) in Cash	(284,984)	47	(284,937)
Cash and Restricted Cash, Beginning	1,016,794	3,809	1,020,603
Cash and Restricted Cash, Ending	<u>\$ 731,810</u>	<u>\$ 3,856</u>	<u>\$ 735,666</u>
Reconciliation of Operating Income To Net Cash Provided By (Used In) Operating Activities:			
Operating Income	\$ (57,825)	\$ 4,548	\$ (53,277)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	262,249	-	262,249
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	16,986	-	16,986
(Increase) Decrease in Due from Other Governments	(5,302)	-	(5,302)
Increase (Decrease) in Customer Deposits	(561)	-	(561)
Increase (Decrease) in Accounts Payable	3,044	-	3,044
Increase (Decrease) in Accrued Compensated Absences	1,934	-	1,934
Increase (Decrease) in Accrued Liabilities	(16)	-	(16)
Total Adjustments	<u>278,334</u>	<u>-</u>	<u>278,334</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 220,509</u>	<u>\$ 4,548</u>	<u>\$ 225,057</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes	\$ 790,400	\$ 790,400	\$ 792,524	\$ 2,124
Intergovernmental	162,100	162,100	162,825	725
Charges for service	35,000	35,000	24,950	(10,050)
License and permits	27,000	27,000	24,894	(2,106)
Fines and forfeits	130,000	130,000	103,829	(26,171)
Investment income	4,000	4,000	3,007	(993)
Rent	12,000	12,000	12,000	-
Miscellaneous	83,900	83,900	82,064	(1,836)
Total Revenues	<u>\$1,244,400</u>	<u>\$1,244,400</u>	<u>\$ 1,206,093</u>	<u>\$ (38,307)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Legislative				
Salaries	\$ 18,731	\$ 18,731	\$ 18,731	\$ -
Other Expense	26,260	22,201	22,201	-
Total Legislative	<u>\$ 44,991</u>	<u>\$ 40,932</u>	<u>\$ 40,932</u>	<u>\$ -</u>
Judicial				
Salaries	\$ 37,973	\$ 38,253	\$ 38,253	\$ -
Fringe Benefits	3,859	3,886	3,886	-
Other Expense	3,700	909	909	-
Total Judicial	<u>\$ 45,532</u>	<u>\$ 43,048</u>	<u>\$ 43,048</u>	<u>\$ -</u>
Financial				
Salaries	\$ 97,239	\$ 99,484	\$ 99,484	\$ -
Fringe Benefits	29,859	28,848	28,848	-
Other Expense	24,100	26,152	26,152	-
Capital Outlay	2,700	4,761	4,761	-
Total Financial	<u>\$ 153,898</u>	<u>\$ 159,245</u>	<u>\$ 159,245</u>	<u>\$ -</u>
Planning				
Other Expense	\$ 6,100	\$ 5,304	\$ 5,304	\$ -
Total Planning	<u>\$ 6,100</u>	<u>\$ 5,304</u>	<u>\$ 5,304</u>	<u>\$ -</u>
Codes				
Salaries	\$ 31,292	\$ 25,050	\$ 25,050	\$ -
Fringe Benefits	3,833	3,085	3,085	-
Other Expense	4,550	2,287	2,287	-
Total Codes	<u>\$ 39,675</u>	<u>\$ 30,422</u>	<u>\$ 30,422</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, 2010

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Elections				
Salaries	\$ -	\$ 5,355	\$ 5,355	\$ -
Other Expense	4,000	2,537	2,537	-
Total Elections	<u>\$ 4,000</u>	<u>\$ 7,892</u>	<u>\$ 7,892</u>	<u>\$ -</u>
Housing				
Other Expense	\$ -	\$ 552	\$ 551	\$ 1
Total Housing	<u>\$ -</u>	<u>\$ 552</u>	<u>\$ 551</u>	<u>\$ 1</u>
Other General				
Salaries	\$ 12,640	\$ 2,544	\$ 2,544	\$ -
Fringe Benefits	800	2,940	2,939	1
Other Expense	75,900	104,749	100,771	3,978
Debt Service	126,337	144,384	201,551	(57,167)
Total Other General	<u>\$ 215,677</u>	<u>\$ 254,617</u>	<u>\$ 307,805</u>	<u>\$ (53,188)</u>
Total General Government	<u>\$ 509,873</u>	<u>\$ 542,012</u>	<u>\$ 595,199</u>	<u>\$ (53,187)</u>
 <u>Public Safety</u>				
Police				
Salaries	\$ 225,442	\$ 232,322	\$ 231,595	\$ 727
Fringe Benefits	98,376	83,280	83,280	-
Other Expense	85,500	78,602	77,181	1,421
Capital Outlay	2,847	4,691	4,690	1
Total Police	<u>\$ 412,165</u>	<u>\$ 398,895</u>	<u>\$ 396,746</u>	<u>\$ 2,149</u>
Drug Enforcement				
Salaries	\$ 41,725	\$ 42,103	\$ 42,103	\$ -
Fringe Benefits	18,573	18,153	18,153	-
Other Expense	2,800	1,853	1,853	-
Total Drug Enforcement	<u>\$ 63,098</u>	<u>\$ 62,109</u>	<u>\$ 62,109</u>	<u>\$ -</u>
Fire				
Salaries	\$ 10,765	\$ 10,501	\$ 10,501	\$ -
Other Expense	13,800	9,356	9,356	-
Total Fire	<u>\$ 24,565</u>	<u>\$ 19,857</u>	<u>\$ 19,857</u>	<u>\$ -</u>
Total Public Safety	<u>\$ 499,828</u>	<u>\$ 480,861</u>	<u>\$ 478,712</u>	<u>\$ 2,149</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<u>Highways and Streets</u>				
Streets				
Salaries	\$ 50,337	\$ 57,664	\$ 57,664	\$ -
Fringe Benefits	10,097	13,194	13,194	-
Other Expense	8,100	14,564	14,564	-
Total Streets	\$ 68,534	\$ 85,422	\$ 85,422	\$ -
Street Lighting				
Street Lighting-Electricity	\$ 45,000	\$ 41,165	\$ 41,165	\$ -
Other Expense	-	594	594	-
Total Street Lighting	\$ 45,000	\$ 41,759	\$ 41,759	\$ -
Total Highways and Streets	\$ 113,534	\$ 127,181	\$ 127,181	\$ -
 <u>Parks and Recreation</u>				
Salaries	\$ 16,573	\$ 18,777	\$ 18,775	\$ 2
Fringe Benefits	8,800	8,821	8,821	-
Other Expense	16,800	31,431	19,291	12,140
Total Parks and Recreation	\$ 42,173	\$ 59,029	\$ 46,887	\$ 12,142
Total Expenditures	\$1,165,408	\$1,209,083	\$ 1,247,979	\$ (38,896)
 <u>Other Financing Sources (Uses)</u>				
Sale of Property	\$ -	\$ -	\$ 1,027	\$ 1,027
Transfers In	-	-	48,917	48,917
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 49,944	\$ 49,944
Net Change in Fund Balance	\$ 78,992	\$ 35,317	8,058	\$ (27,259)
Fund Balance, Beginning			542,520	
Fund Balance, Ending			\$ 550,578	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-STATE STREET AID FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Investment income	\$ 1,200	\$ 1,200	\$ 920	\$ (280)
Intergovernmental	<u>38,000</u>	<u>38,000</u>	<u>38,162</u>	<u>162</u>
Total Revenues	<u>39,200</u>	<u>39,200</u>	<u>39,082</u>	<u>(118)</u>
Expenditures:				
Capital Outlay	5,000	710	703	7
Debt Service	<u>29,972</u>	<u>26,286</u>	<u>26,285</u>	<u>1</u>
Total Expenditures	<u>34,972</u>	<u>26,996</u>	<u>26,988</u>	<u>8</u>
Revenues Over (Under) Expenditures	<u>\$ 4,228</u>	<u>\$ 12,204</u>	12,094	<u>\$ (110)</u>
Fund Balance, Beginning			<u>86,689</u>	
Fund Balance, Ending			<u>\$ 98,783</u>	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units," 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, 2010 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 reports detail 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 report 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. All construction and invoices were paid through this fund and then the bond payment will be paid through the Town's General Fund.

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. Property, Plant and Equipment

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated. The Town does not have a material amount of donated assets.

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 December 31. 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, 2010 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. Investments

The Town is authorized to invest in governmental obligations, and certificates of deposit at federally insured financial institutions, and the Tennessee Local Government Investment Pool. Investments are stated at cost, which approximates market.

H. Inventories

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

I. Cash and Cash Equivalents on Cash Flows Statement

For purposes of the statement of cash flows, the Town considers demand deposits, money market accounts, deposits with the Tennessee Local Government Investment Pool, and all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

J. 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.

K. Unbilled Revenue

No accrual is made for unbilled revenue for services (proprietary funds) from the date of the most recent meter reading to the balance sheet date as it is considered immaterial.

L. Uncollectible Accounts

Bad debts are charged to expense using the allowance-for-bad-debt method. Town's policy is to reserve 100% of accounts 30 days or more past due. The bad debt expense for the year ended June 30, 2010 was \$14,538.

M. Receivables

Accounts receivable is presented net of any allowance for uncollectible accounts. The allowance for bad debt accounts is \$14,538 for the year ended June 30, 2010.

N. Deferred Revenue

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

O. Insurance and Advertising

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

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

P. 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 do 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.

Q. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for funding future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Unrestricted net assets of proprietary funds represent the net assets that are available for future operations. Restricted net assets represent net assets identified for specific purposes. When an expense is incurred which could be charged to restricted or unrestricted, the charge is to restricted.

R. Classification of Proprietary Fund Revenue

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

S. FASB Statements

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

T. Other Significant Accounting Policies

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

2. RESTRICTED CASH

Cash in bank in the Water and Sewer Fund is restricted by revenue bond covenants. Cash in the Special Revenue Funds and Capital Project Funds are restricted by the nature of the funds.

<u>Water and Sewer Fund</u>	<u>Amount</u>	<u>Restriction</u>
Cash in Bank - Sewer Construction	\$ 87,028	Restricted for Completion of Sewer Extension Project
Certificates of Deposit	<u>500,000</u>	Restricted for Debt Service Requirements
Sub-Total	<u>587,028</u>	
 <u>Special Revenue Funds</u>		
Cash in Bank - Drug Fund	3,295	Restricted for Drug Fund use
Cash in Bank- State Street Aid Fund	<u>95,483</u>	Restricted for State Street Aid use
Sub-Total	<u>98,778</u>	
 <u>Capital Projects Funds</u>		
Cash in Bank - Senior Citizens Fund	42,639	Restricted for Senior Citizens use
Cash in Bank- Sidewalk Project	<u>210,389</u>	Restricted for Capital Projects use
Sub-Total	<u>253,028</u>	
Total	<u>\$ 938,834</u>	

3. 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 investment policy. Although there is no official 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. The Town is a passive investor, in that investments are held to until maturity. The investments made by the Town are authorized by Section 6-56-106 of the Tennessee Code Annotated. The Town recognizes its investments may have one or more risks: (1) custodial credit risk, (2) concentrations of credit risk, (3) interest rate risk, and (4) foreign currency risk; however because of the relative safety of the investments authorized in T.C.A. 6-56-106 (a) 1-6 and 8, the exposure to risk is generally limited to interest rate risk.

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. During the current fiscal year, the Town invested funds in checking, savings and certificates of deposit. Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance.

As of June 30, 2010, the carrying amount of the Town's deposits was \$1,568,840. Bank balances and certificates of deposits for such accounts totaled \$1,605,987. Of the bank balance, \$738,586 was covered by FDIC insurance (FDIC insures up to \$250,000 in each financial institution) and the remaining \$867,401 was deposited with financial institutions that are members of the Tennessee Bank Collateral Pool (the "pool"), a multiple financial institution collateral pool where member financial institutions holding public funds pledged collateral to a common pool. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro-rata basis to the members of the pool if the value of the pool's collateral is inadequate to cover a loss. As a result, the pool is similar to depository insurance. The Town had cash on hand in the amount of \$532.

4. LONG-TERM DEBT

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

	Balance <u>6/30/2009</u>	Added or <u>Incurred</u>	Reduced <u>or Paid</u>	Balance <u>6/30/2010</u>	Due Within <u>One Year</u>
Accrued Compensated Absences	\$ 13,331	\$ 1,934	\$ -	\$ 15,265	\$ 3,053
Bonds					
1999 Revenue Bonds	1,651,005	-	30,023	1,620,982	31,559
1999 Revenue Bonds	151,935	-	1,456	150,479	2,924
2007 Sewer Bonds	<u>1,801,602</u>	-	<u>21,070</u>	<u>1,780,532</u>	<u>21,692</u>
Total Bonds	<u>3,604,542</u>	-	<u>52,549</u>	<u>3,551,993</u>	<u>56,175</u>
Total Long-Term Debt	<u>\$ 3,617,873</u>	<u>\$ 1,934</u>	<u>\$ 52,549</u>	<u>\$ 3,567,258</u>	<u>\$ 59,228</u>

4. LONG-TERM DEBT (CONT'D)

b. Amortization of Water and Sewer Long-Term Debt

Fiscal Year Ended June 30 ,	1999 Revenue		1999 Revenue		2007 Sewer		2007 Sewer		Total	
	5%		5%		4.375%		4.125%			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,924	\$ 7,400	\$ 31,559	\$ 80,400	\$ 15,370	\$ 54,900	\$ 6,322	\$ 21,350	\$ 56,175	\$ 164,050
2012	3,073	7,200	33,174	78,800	15,907	54,300	6,588	21,084	58,742	161,384
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
2016-2020	20,778	30,819	224,318	335,417	104,192	247,048	42,264	96,096	391,552	709,380
2021-2025	26,666	24,929	287,880	271,855	129,791	221,449	51,945	86,415	496,282	604,648
2026-2030	34,223	17,372	369,454	190,281	161,473	189,767	63,844	74,516	628,994	471,936
2031-2035	43,921	7,674	464,144	85,591	200,892	150,348	78,469	59,891	787,426	303,504
2036-3040	8,699	154	100,397	2,117	249,892	101,348	96,443	41,917	455,431	145,536
2041-2045	-	-	-	-	310,979	40,261	118,536	19,824	429,515	60,085
2046-2050	-	-	-	-	20,027	168	33,544	935	53,571	1,103
Total	<u>\$ 150,479</u>	<u>\$ 116,222</u>	<u>\$ 1,620,982</u>	<u>\$ 1,270,270</u>	<u>\$ 1,261,102</u>	<u>\$ 1,217,773</u>	<u>\$ 519,430</u>	<u>\$ 483,568</u>	<u>\$ 3,551,993</u>	<u>\$ 3,087,833</u>

c. Schedule of Changes in Governmental Long-Term Debt

	Balance 6/30/2009	Added or Incurred	Reduced or Paid	Balance 6/30/2010	Due Within One Year
Accrued Compensated Absences	\$ 22,226	\$ 11,812	\$ -	\$ 34,038	\$ 6,808
Capital Outlay Notes:					
2007 Equipment Note	69,339	-	38,853	30,486	30,486
2004 Street Note	139,223	-	26,295	112,928	22,805
2008 Sidewalk Notes	46,400	-	46,400	-	-
Bonds and Loans:					
Municipal Building Series 1999	1,086,011	-	24,366	1,061,645	20,316
2008 Senior Citizens	438,494	-	5,221	433,273	5,350
Sidewalk Loan-RDA	-	283,500	520	282,980	3,195
Total Notes, Loans and Bonds	<u>1,779,467</u>	<u>283,500</u>	<u>141,655</u>	<u>1,921,312</u>	<u>82,152</u>
Total Long-Term Debt	<u>\$ 1,801,693</u>	<u>\$ 295,312</u>	<u>\$ 141,655</u>	<u>\$ 1,955,350</u>	<u>\$ 88,960</u>

4. 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		Equipment Note 2007		Sidewalk Bonds		Senior Citizens Bonds 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 20,316	\$ 52,300	\$ 22,805	\$ 7,200	\$ 30,486	\$ 1,600	\$ 3,195	\$ 10,640	\$ 5,350	\$ 18,300	\$ 82,152	\$ 90,040
2012	21,330	51,300	24,331	5,700	-	-	3,329	11,479	5,581	18,100	54,571	86,579
2013	22,392	50,200	25,961	4,000	-	-	3,469	11,339	5,823	17,800	57,645	83,339
2014	23,509	49,100	27,700	2,300	-	-	3,615	11,193	6,075	17,589	60,899	80,182
2015	24,681	47,900	12,131	500	-	-	3,767	11,041	6,339	17,325	46,918	76,766
2016-2020	143,136	219,800	-	-	-	-	21,348	52,672	36,059	82,261	200,543	354,733
2021-2025	182,555	180,600	-	-	-	-	26,229	47,811	44,580	73,740	253,364	302,151
2026-2030	232,829	130,200	-	-	-	-	32,226	41,814	55,115	63,205	320,170	235,219
2031-2035	296,950	66,100	-	-	-	-	39,604	34,446	68,139	50,181	404,693	150,727
2036-3040	93,947	4,000	-	-	-	-	48,646	25,394	84,540	33,780	227,133	63,174
2041-2045	-	-	-	-	-	-	59,768	14,372	104,146	14,174	163,914	28,546
2046-2050	-	-	-	-	-	-	37,784	2,155	11,526	151	49,310	2,306
Total	<u>\$1,061,645</u>	<u>\$ 851,500</u>	<u>\$ 112,928</u>	<u>\$ 19,700</u>	<u>\$ 30,486</u>	<u>\$ 1,600</u>	<u>\$ 282,980</u>	<u>\$ 274,356</u>	<u>\$433,273</u>	<u>\$406,606</u>	<u>\$1,921,312</u>	<u>\$1,553,762</u>

e. Liquidation of Other 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 are paid by the General Fund.

f. Collateral for Revenue Bonds

Revenue of the Water and Sewer Fund is collateral for revenue bonds outstanding.

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.

5. CAPITAL ASSETS

a. <u>Governmental Assets:</u>	Balance 6/30/2009	Increases	Decreases	Balance 6/30/2010
Capital assets not depreciated:				
Land	\$ 191,956	\$ 21,000	\$ -	\$ 212,956
Construction in Progress	-	-	-	-
Total assets not depreciated	<u>191,956</u>	<u>21,000</u>	<u>-</u>	<u>212,956</u>
Capital assets depreciated:				
Infrastructure	134,501	46,372	-	180,873
Buildings	2,838,105	-	-	2,838,105
Equipment	791,529	57,431	19,090	829,870
Total assets depreciated	<u>3,764,135</u>	<u>103,803</u>	<u>19,090</u>	<u>3,848,848</u>
Less accumulated depreciation:				
Infrastructure	8,855	2,999	-	11,854
Buildings	991,808	55,619	-	1,047,427
Equipment	676,930	51,027	19,090	708,867
Total accumulated depreciation	<u>1,677,593</u>	<u>109,645</u>	<u>19,090</u>	<u>1,768,148</u>
Net Governmental Assets	<u>\$ 2,278,498</u>	<u>\$ 15,158</u>	<u>\$ -</u>	<u>\$ 2,293,656</u>
b. <u>Business-Type Assets: Water and Sewer</u>				
Capital assets not depreciated:				
Land	\$ 100,710	\$ 8,000	\$ -	\$ 108,710
Construction in Progress	-	46,200	-	46,200
Total assets not depreciated	<u>100,710</u>	<u>54,200</u>	<u>-</u>	<u>154,910</u>
Capital assets depreciated:				
Buildings	143,397	-	-	143,397
Utility System	10,236,004	79,618	-	10,315,622
Equipment	99,321	161,119	-	260,440
Total assets depreciated	<u>10,478,722</u>	<u>240,737</u>	<u>-</u>	<u>10,719,459</u>
Less accumulated depreciation:				
Buildings	79,145	2,447	-	81,592
Utility System	3,397,867	253,900	-	3,651,767
Equipment	92,896	5,902	-	98,798
Total accumulated depreciation	<u>3,569,908</u>	<u>262,249</u>	<u>-</u>	<u>3,832,157</u>
Net Business-Type Assets	<u>\$ 7,009,524</u>	<u>\$ 32,688</u>	<u>\$ -</u>	<u>\$ 7,042,212</u>
Net Government-Wide Capital Assets	<u>\$ 9,288,022</u>	<u>\$ 47,846</u>	<u>\$ -</u>	<u>\$ 9,335,868</u>
c. Depreciation expense related to governmental assets was charged to the following functions:				
General government			\$ 62,833	
Public safety			35,214	
Parks			2,999	
Streets			8,599	
Total			<u>\$ 109,645</u>	

6. 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, 2010 was 12.67% 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, 2010, the Town's annual pension cost of \$88,235 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 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 five-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, 2007 was 9 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

d. Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	88,235	100.00%	0.00
6/30/09	82,682	100.00%	0.00
6/30/08	81,384	100.00%	0.00

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 \$1.74 million, and the actuarial value of assets was \$1.44 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.29 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.72 million, and the ratio of the UAAL to the covered payroll was 40.80%.

6. CONSOLIDATED PENSION INFORMATION (CONT'D)

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 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%

7. SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to the year end, the Town was approved a CDBG grant of \$400,000 for sewer system improvements. The Town was also approved to proceed with the construction phase of the sidewalk project for which the Town had received \$572,506 in grant from Tennessee Department of Transportation. There were no other significant, subsequent events that we feel should be disclosed in these audited financial statements.

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

All interfund balances resulted from the time difference between the dates that the interfund goods and services were provided and paid. All interfund transfers were for making debt service payments.

	Major Funds		Total
	General Fund	Sidewalk Project Fund	
<u>Transfers From</u>			
Sidewalk Project Fund	\$ -	\$ 48,917	\$ 48,917
Total	-	48,917	48,917
<u>Transfers To</u>	\$ 48,917	\$ -	\$ 48,917

9. 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.

10. ACCOUNTS AND NOTES RECEIVABLE

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

State Street Aid

Other Receivables	\$ 6,600
-------------------	----------

General Fund

Property Taxes Receivable	315,000
Grants Receivable	20,475
Other Receivables	2,135

Water and Sewer Fund

Customer Receivable	<u>114,505</u>
Total Accounts Receivable	<u>\$458,715</u>

Note Receivable

The Town and Stewart County entered into an agreement to jointly own 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.

\$216,683

Less: Current Portion	<u>2,675</u>
-----------------------	--------------

Total Notes Receivable, Net of Current Portion	<u>\$214,008</u>
--	------------------

11. GRANTS AND LOANS

In the normal course of operations, the Town receives grants from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

During 2008-2009, Tennessee Housing Development Agency (THDA) awarded \$250,000 for the Town to provide financial and technical assistance for the rehabilitation of eligible homes. None of the grant has been received or expended to date.

During 2009-2010, The Town was approved a loan of up to \$1.03 million and a grant of \$354,000 from Rural Development for upgrading the water treatment plant. None of the grant or loan has been received or expended to date.

12. BUDGETARY INFORMATION

Through the budget, the Board of Mayor and 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 highest priority 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 Board of Mayor and 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 Board of Mayor and Aldermen. Expenditures may not legally exceed budgeted appropriations at the Fund level without Board of Mayor and 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, contracts, 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.

13. EXCESS EXPENDITURES OVER BUDGET

	<u>Current Year Expenditures Over Budget</u>		<u>Cumulative (Deficit) Fund Balance</u>
General Fund		\$	550,578
Other General:			
Debt Service	\$ 57,167		
State Street Aid Fund	N/A	\$	98,783
Drug Fund	N/A	\$	3,295
Sidewalk Fund		\$	199,640
Capital Outlay	\$ 10,748		
Senior Citizen Fund	N/A	\$	68,257

14. CHANGE IN PRESENTATION

In prior year financial statements, the Solid Waste Fund was presented as a special revenue fund in the governmental fund statements and government wide statements. In the current year, the Solid Waste Fund is presented as a proprietary fund. The following discloses the restatement of governmental and proprietary fund balances as of the beginning of the fiscal year.

	<u>Governmental Fund</u>	<u>Govt-Wide Statements</u>	<u>Proprietary Fund</u>
Fund Balance/Net Assets, beginning, as previously stated	\$ 704,804	\$ 1,453,179	\$4,529,693
Increase due to change in presentation of solid waste fund from special revenue fund to proprietary fund	692	692	-
Decrease due to change in presentation of solid waste fund from special revenue fund to proprietary fund	-	-	(692)
Fund Balance/Net Assets, beginning, as restated	<u>\$ 705,496</u>	<u>\$ 1,453,871</u>	<u>\$4,529,001</u>

15. 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.

16. 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 perform an initial credit evaluation for new customers or obtain a security deposit where applicable.

17. LEASES

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 7,194
2012	7,194
2013	7,194
2014	6,311
2015	<u>3,324</u>
Total	<u>\$ 31,217</u>

The rent expense was \$4,761 for the year ended June 30, 2010. 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, 2010.

18. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued Statement No. 54 (GASBS No. 54) *Fund Balance Reporting and Governmental Fund Type Definitions* in March 2009. GASBS No. 54 enhances the usefulness of fund balance information presented in the governmental funds by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Fund balance in the governmental funds will be classified as follows:

1. Non-spendable – amounts that cannot be spent because they are either (1) not in spendable form (such as inventories, prepaid assets, etc...) or (2) legally or contractually required to be maintained intact (such as corpus or principal of a permanent fund).
2. Restricted - amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed - amounts that can be used only for the specific purposes determined by a formal action (e.g. ordinance or resolution) of the government's highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – represents the residual classification for the government's general fund and includes all amounts not contained in the other classifications. For funds other than the general fund, this category includes a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

The Town is required to implement GASBS No. 54 no later than during its fiscal year ending June 30, 2011 with earlier implementation encouraged. Upon implementation of GASBS 54, all governmental fund balances presented for prior years must be restated to conform to GASBS 54. The Town has not yet determined the effect the implementation of GASBS 54 will have on the classification of governmental fund balances.

TOWN OF DOVER, TENNESSEE
 REQUIRED SUPPLEMENTAL INFORMATION
 JUNE 30, 2010

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 AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 COMBINING BALANCE SHEET-
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Total Other Governmental Funds	Drug Special Revenue Fund	Senior Citizen Projects Fund
Assets			
Restricted Cash and Cash Equivalents	\$ 45,934	\$ 3,295	\$ 42,639
Total Assets	<u>45,934</u>	<u>3,295</u>	<u>42,639</u>
Fund Equity			
Fund Balance	45,934	3,295	42,639
Total Liabilities and Fund Equity	<u>\$ 45,934</u>	<u>\$ 3,295</u>	<u>\$ 42,639</u>

TOWN OF DOVER, TENNESSEE
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES-
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Total Other Governmental Funds	Drug Special Revenue Fund	Senior Citizen Projects Fund
Revenues:			
Drug Related Fines	\$ 730	\$ 730	\$ -
Interest Revenues	10	10	-
Total Revenue	<u>740</u>	<u>740</u>	<u>-</u>
Expenditures:			
Bank Charges	97	97	-
Other Expenses	250	250	-
Capital Outlay	25,618	-	25,618
Total Expenditures	<u>25,965</u>	<u>347</u>	<u>25,618</u>
Revenues Over (Under) Expenditures	(25,225)	393	(25,618)
Fund Balance, Beginning	<u>71,159</u>	<u>2,902</u>	<u>68,257</u>
Fund Balance, Ending	<u>\$ 45,934</u>	<u>\$ 3,295</u>	<u>\$ 42,639</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

1. DRUG FUND

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Drug related fines	\$ 500	\$ 500	\$ 730	\$ 230
Interest Revenue	<u>50</u>	<u>50</u>	<u>10</u>	<u>(40)</u>
Total Revenues	<u>550</u>	<u>550</u>	<u>740</u>	<u>190</u>
Expenditures:				
Bank Charges	-	100	97	3
Other Expenses	<u>200</u>	<u>250</u>	<u>250</u>	<u>-</u>
Total Expenditures	<u>200</u>	<u>350</u>	<u>347</u>	<u>3</u>
Revenues Over (Under) Expenditures	<u>\$ 350</u>	<u>\$ 200</u>	393	<u>\$ 193</u>
Fund Balance, Beginning			<u>2,902</u>	
Fund Balance, Ending			<u>\$ 3,295</u>	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE-
 CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

1. 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	-	25,618	25,618	-
Total Expenditures	<u>-</u>	<u>25,618</u>	<u>25,618</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (25,618)</u>	(25,618)	<u>\$ -</u>
Fund Balance, Beginning			<u>68,257</u>	
Fund Balance, Ending			<u>\$ 42,639</u>	

2. SIDEWALK PROJECT

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Grant Revenues	\$ -	\$ -	\$ 50,000	\$ 50,000
Proceeds from Borrowing	-	-	283,500	283,500
Total Revenues	<u>-</u>	<u>-</u>	<u>333,500</u>	<u>333,500</u>
Expenditures:				
Transfers Out	-	48,918	48,917	1
Capital Outlay	-	79,323	90,071	(10,748)
Total Expenditures	<u>-</u>	<u>128,241</u>	<u>138,988</u>	<u>(10,747)</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (128,241)</u>	194,512	<u>\$ 322,753</u>
Fund Balance, Beginning			<u>5,128</u>	
Fund Balance, Ending			<u>\$ 199,640</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, 2010

CFDA Number	Grant Number	Program Name	Grantor Agency/ Pass-Through Agency	Balance 6/30/2009 (Receivable)	Receipts	Amount Paid, Earned or Expenditures	Balance 6/30/2010 (Receivable)
<u>FEDERAL AWARDS</u>							
20.600	PT-10-14	Highway Safety	USDOT/TDOT	\$ -	\$ 9,860	\$ 11,227	\$ (1,367)
20.601	KB-10-90	Highway Safety	USDOT/TDOT	-	-	4,935	(4,935)
20.607	Z09214600	Highway Safety	USDOT/TDOT	(2,097)	6,946	4,849	-
20.600/20.607	Z09214312	Highway Safety	USDOT/TDOT	-	2,253	2,253	-
97.036	Disaster # 1821	Presidentially Declared Disasters	FEMA/TEMA	(2,338)	2,338	-	-
97.036	Disaster # 1909	Presidentially Declared Disasters	FEMA/TEMA	-	-	13,427	(13,427)
		Total Federal Awards		<u>(4,435)</u>	<u>21,397</u>	<u>36,691</u>	<u>(19,729)</u>
<u>STATE AWARDS</u>							
N/A	Grant# 00-07	Sidewalk	USDA	-	50,000	50,000	-
97.036	Disaster # 1821	Presidentially Declared Disasters	FEMA/TEMA	(390)	390	-	-
97.036	Disaster # 1909	Presidentially Declared Disasters	FEMA/TEMA	-	-	746	(746)
		Total State Awards		<u>(390)</u>	<u>50,390</u>	<u>50,746</u>	<u>(746)</u>
		Total Federal and State Awards		<u>\$ (4,825)</u>	<u>\$ 71,787</u>	<u>\$ 87,437</u>	<u>\$ (20,475)</u>

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

SEE AUDITOR'S REPORT.

TOWN OF DOVER, TENNESSEE
OTHER SUPPLEMENTAL INFORMATION- (UNAUDITED)
JUNE 30, 2010

1. COMPENSATION AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS OF DOVER FOR THE YEAR ENDED JUNE 30, 2010

<u>Name</u>	<u>Title</u>	<u>Compensation</u>	<u>Bond</u>
Tim Barrow	Alderman	\$3,000	N/A
Paul Berry	Alderman	\$3,000	N/A
Terry Odom	Alderman	\$3,000	N/A
Dalton Bagwell	Alderman	\$3,000	N/A
Lesa Fitzhugh	Mayor	\$5,400	300,000
Jeffery M. Knott	Administrator	\$55,687	300,000
Melinda Holliday	Clerk	\$38,022	300,000
Kim Wallace	Police Chief	\$51,010	300,000
Marlin Blane	City Judge	\$6,000	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>
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
2000	0.75	20,096,400	150,723	152,529	6/30/2001	4,349
1999	0.75	19,890,000	149,175	145,338	6/30/2000	6,155
1998	0.65	18,243,000	118,584	118,955	6/30/1999	2,318
1997	0.80	13,930,000	111,405	112,151	6/30/1998	2,689
1996	0.80	15,291,500	122,363	121,311	6/30/1997	3,435
1995	0.80	17,399,400	139,195	138,527	6/30/1996	2,383

* Does not include \$315,000 GASB 33 accrual for 2010 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 SUPPLEMENTAL INFORMATION-CONT'D (UNAUDITED)
JUNE 30, 2010

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:

	<u>Total</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Unpaid Taxes, <u>July 1, 2009</u>	\$347,164	\$ -	\$315,000	\$16,147	\$9,529	\$2,971	\$1,995	\$1,251	\$141	\$ -	\$ 82	\$ -	\$ 48
<u>Add:</u>													
Accrual	315,000	315,000	-	-	-	-	-	-	-	-	-	-	-
Assessed	14,449	-	14,413	-	-	-	-	-	-	36	-	-	-
Accountable	676,613	315,000	329,413	16,147	9,529	2,971	1,995	1,251	141	36	82	-	48
<u>Less:</u>													
Collections and Adjustments	325,225	-	315,501	6,194	3,208	112	40	95	44	-	31	-	-
Unpaid Taxes, <u>June 30, 2010</u>	<u>\$351,388</u>	<u>\$315,000</u>	<u>\$ 13,912</u>	<u>\$ 9,953</u>	<u>\$ 6,321</u>	<u>\$ 2,859</u>	<u>\$ 1,955</u>	<u>\$ 1,156</u>	<u>\$ 97</u>	<u>\$ 36</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 48</u>

Note: All property taxes prior to 2008 have been turned over to the Trustee for collection. All balances 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, 2010

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	550
Non-Residential Customers Inside City	97
Residential Water Customers Outside City	659
Industrial and Commercial Water Customers Outside City	33
Sewer Customers Inside City	647

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

Water Treated and Purchased:

Water Pumped (potable)	86,680,000	
Water Purchased	0	
Total Water Treated and Purchased		86,680,000

Accounted for Water:

Water Sold	58,764,800	
Metered for Consumption (in house usage)	7,678,000	
Fire Department(s) Usage	45,450	
Flushing	4,991,891	
Tank Cleaning/Filling	0	
Street Cleaning	0	
Bulk Sales	1,018,600	
Water Bill Adjustments/ plus or (minus)	1,124,400	
Total Accounted for Water		73,623,141
Unaccounted for Water		13,056,859
Percent Unaccounted for Water		15.06%

Other (explain) 0

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

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

**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**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dover, Tennessee (the "Town"), as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, as detailed in the Audit Manual.

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 of 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 2010-01 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 deficiencies described in the accompanying schedule of findings and responses as 2010-01 and 2010-02, to be significant deficiencies.

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 alderman, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thurman Campbell Group, PLC

November 29, 2010

TOWN OF DOVER, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

2010-01 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

Management will establish procedures to ensure that receivables, long term debt and capital assets are maintained in an appropriate manner and that all financials are recorded in accordance with generally accepted accounting principles.

2010-02 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 management that as resources allow, engage in the necessary training to bring the accounting staff current on GAAP requirements.

RESPONSE

It is not practical for the Town to pursue this type of training or reporting due to their limited resources.