

**TOWN OF DOVER
KINGFISHER COUNTY, OKLAHOMA**

**AUDIT REPORT
FISCAL YEAR ENDED
JUNE 30, 2011**

*WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA*

**TOWN OF DOVER
KINGFISHER COUNTY, OKLAHOMA
TOWN COUNCIL AND OFFICERS**

Mike McNulty
Marlita Peters-Term expired March 2011
Brian Chestnut
Scott Huntsberger
Brenda Cooper
Colton Harrison-Term Began April 2011

Mayor
Trustee
Trustee
Trustee
Trustee

Amy Friday
Jim Murphy
Richard Crump

Town Clerk
Street/Utility Supervisor
Attorney

CONTENTS

	<u>Page</u>
Town officials	
Contents	
Management's Discussion and Analysis - Omitted	
Independent Auditors' Report	
Government Wide Financial Statements	3
Statement of Net Assets – Modified Cash Basis	
Statement of Activities – Modified Cash Basis	4
Statement of Net Assets by Fund – Modified Cash Basis	
Governmental Funds	5
Proprietary Funds	6
Statement of Revenue, Expenditures and Changes in Fund Balance by Fund	
Governmental Funds	7
Proprietary Funds	8
Statement of Cash Flows – Proprietary Fund	9
Notes to financial statements	10-18
TABLE 1. Capital Assets	
Supplemental Information	
Budgetary Comparison Schedule General Fund – Modified Cash Basis	
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based Upon an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	

WILLIAM K. GAUER

CERTIFIED PUBLIC ACCOUNTANT

121 SOUTH NOBLE ~ P.O. BOX 181
PHONE 580-623-5071
TOLL FREE 800-230-7672

WATONGA, OKLAHOMA 73772
FAX 580-623-5072
WGAUER@WHEELERBROTHERS.COM

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Dover, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Dover, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town's management. My responsibility is to express opinions on these financial statements based on my audit

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinions.

As discussed in Note 1, Town of Dover, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Dover, Oklahoma, as of June 30, 2011, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (omitted) and budgetary comparison information on pages 21 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing

Town of Dover
March 31, 2011
Page 2

standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, appearing to be "Bill H. H.", written over a horizontal line.

Watonga, Oklahoma
April 30, 2012

TOWN OF DOVER, Oklahoma
Statement of Net Assets - Modified Cash Basis
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
<i>Current and unrestricted assets:</i>			
Cash and Cash Equivalents	\$ 45,641	\$ 48,907	\$ 94,547
Total Current and unrestricted assets	45,641	48,907	94,547
<i>NonCurrent and restricted assets:</i>			
Restricted Cash and Investments	84,432	12,928	97,359
Deposits with insurance pool	-	-	-
Capital Assets (Note			
Land, infrastructure	-	5,749	5,749
Depreciable capital assets, net	-	143,837	143,837
Total noncurrent and restricted assets	84,432	162,513	246,945
Total Assets	130,072	211,420	341,492
LIABILITIES			
Customer Deposits	-	10,990	10,990
Long-term Liabilities (Note			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total Liabilities	-	10,990	10,990
NET ASSETS			
Invested in capital assets, net of related debt	-	149,586	149,586
Restricted	84,432	1,938	86,369
Unrestricted	45,641	48,907	94,547
Total Net Assets	\$ 130,072	\$ 200,430	\$ 330,502

See accompanying notes to the basic financial statements.

TOWN OF DOVER, Oklahoma
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

Functional Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 193,349	\$ 1,487	\$ -	\$ -	\$ (191,862)	\$ -	\$ (191,862)
Public Safety	13,162	42,279	6,025	-	35,142	-	35,142
Highway and streets	-	-	-	-	-	-	-
Total governmental activities	<u>206,511</u>	<u>43,766</u>	<u>6,025</u>	<u>-</u>	<u>(156,720)</u>	<u>-</u>	<u>(156,720)</u>
Business-Type Activities:							
Water and sanitation	112,097	146,909	-	-	-	34,811	34,811
Miscellaneous	-	-	-	-	-	-	-
Total business-type activities	<u>112,097</u>	<u>146,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,811</u>	<u>34,811</u>
Total Primary Government	<u>318,609</u>	<u>190,675</u>	<u>6,025</u>	<u>-</u>	<u>(156,720)</u>	<u>34,811</u>	<u>(121,909)</u>
General Revenues:							
Taxes:							
Sales, Use & Tobacco Tax					98,450	-	98,450
Franchise Tax					19,207	-	19,207
Motor Vehicle Tax					2,625	-	2,625
Gas Excise Tax					687	-	687
Alcoholic Beverage Tax					3,887	-	3,887
Investment Income					197	176	373
Miscellaneous					25,723	-	25,723
Transfers-Internal Activity					26,791	(26,791)	-
Total general revenues and transfers					<u>177,569</u>	<u>(26,615)</u>	<u>150,953</u>
Changes in Net Assets							
Net Assets - Beginning					20,849	8,196	29,045
Net Assets - Ending					<u>109,223</u>	<u>192,234</u>	<u>301,457</u>
					<u>\$ 130,072</u>	<u>\$ 200,430</u>	<u>\$ 330,502</u>

See accompanying notes to the basic financial statements.

TOWN OF DOVER, Oklahoma
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Public Ways	Fire Protection	Police Bail Bond	Total
ASSETS					
Cash and cash equivalents	\$ 45,641	\$ -	\$ -	\$ -	\$ 45,641
Investments	-	-	-	-	-
Restricted cash and cash equivalents	-	27,947	14,863	1,831	44,641
Restricted investments	-	39,791	-	-	39,791
Capital Assets					
Land, inexhaustible assets and construction-in-process	-	-	-	-	-
Other capital assets, net of accumulated depreciation	-	-	-	-	-
Total Assets	<u>45,641</u>	<u>67,738</u>	<u>14,863</u>	<u>1,831</u>	<u>130,072</u>
LIABILITIES					
Customer deposits	-	-	-	-	-
Long-term debt	-	-	-	-	-
Due within one year	-	-	-	-	-
Due in more than one year	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS					
<i>Non-Spendable:</i>					
Invested in Capital Assets, net of debt	-	-	-	-	-
<i>Restricted:</i>					
Public Ways	-	67,738	-	-	67,738
Fire Protection	-	-	14,863	-	14,863
<i>Committed:</i>					
Assigned:					
Police Bail	-	-	-	1,831	1,831
<i>Unrestricted:</i>					
General Fund	45,641	-	-	-	128,242
Total Net Assets	<u>45,641</u>	<u>67,738</u>	<u>14,863</u>	<u>1,831</u>	<u>212,673</u>

Reconciliation to Statement of Net Assets:

Capital assets
 Certain liabilities not payable in the reporting period

\$ 212,673

See accompanying notes to the basic financial statements.

TOWN OF DOVER, Oklahoma
 STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	Public Works Authority	Meter Deposits	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 48,907	\$ -	\$ 48,907
Noncurrent Assets:			
Restricted cash and cash equivalents	-	12,928	12,928
Restricted investments	-	-	-
Capital Assets, net of accumulated depreciation	149,586	-	149,586
Total noncurrent assets	149,586	12,928	162,513
Total Assets	198,493	12,928	211,420
LIABILITIES			
Current Liabilities:			
Notes payable-current portion	-	-	-
Total current liabilities	-	-	-
Noncurrent Liabilities:			
Refundable deposits	-	10,990	10,990
Notes payable-long-term portion	-	-	-
Total noncurrent liabilities	-	10,990	10,990
Total Liabilities	-	10,990	10,990
NET ASSETS			
Invested in Capital Assets, net of debt	149,586	-	149,586
Restricted	-	1,938	1,938
Unrestricted	48,907	-	48,907
Total Net Assets	\$ 198,493	\$ 1,938	\$ 200,430

See accompanying notes to the basic financial statements,

TOWN OF DOVER, Oklahoma
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

	General Fund	Public Ways	Fire Protection	Police Bail Bond	Total
Revenues:					
Taxes	\$ 94,667	\$ 22,990	\$ -	\$ -	\$ 117,657
Intergovernmental	7,200	-	-	-	7,200
Charges for services	1,450	-	-	-	1,450
Fines and forfeitures	-	-	-	42,279	42,279
Licenses and permits	37	-	-	-	37
Investment income	95	78	24	-	197
Miscellaneous	2,656	-	22,690	-	25,346
Total Revenues	106,105	23,068	22,714	42,279	194,166
Expenditures:					
Personnel Service	110,602	-	-	-	110,602
Maintenance and Operation	54,872	20,341	15,291	5,406	95,909
Capital Outlay	-	-	-	-	-
Total Expenditures	165,474	20,341	15,291	5,406	206,511
Excess (deficiency) of revenues over expenditures	(59,369)	2,728	7,423	36,873	(12,345)
Other Financing Sources					
Transfers In	65,969	-	-	-	65,969
Transfers Out	-	-	-	(38,800)	(38,800)
Grant Proceeds	-	-	6,025	-	6,025
Total Other Financing Sources	65,969	-	6,025	(38,800)	33,194
Net Changes in Fund Balances	6,600	2,728	13,448	(1,927)	20,849
Fund Balance - Beginning	39,041	65,010	1,415	3,757	109,223
Fund Balance - Ending	<u>\$ 45,641</u>	<u>\$ 67,738</u>	<u>\$ 14,863</u>	<u>\$ 1,830</u>	<u>\$ 130,072</u>

Reconciliation to the Statement of Activities:

Net change in fund balances	20,849
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets capitalized	-
Depreciation expense	-
Change in net assets of governmental activities	<u>\$ 20,849</u>

TOWN OF DOVER, Oklahoma
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
PROPRIETARY FUNDS

	Public Works Authority	Meter Deposit	Total
Revenues:			
Charges for services:			
Charges for services-Water and Sanitation	\$ 146,909	\$ -	\$ 146,909
Other	-	-	-
Total Revenues	<u>146,909</u>	<u>-</u>	<u>146,909</u>
Expenses:			
Personnel Services, net wages	16,783	-	16,783
Employee benefits, retirement	2,467	-	2,467
Fuel	4,306	-	4,306
Insurance	1,189	-	1,189
Miscellaneous	3,280	-	3,280
Office Supplies	8,254	-	8,254
Professional Fees	4,350	-	4,350
Repairs and maintenance	14,206	-	14,206
Supplies	6,749	-	6,749
Taxes, payroll	2,063	-	2,063
Telephone	572	-	572
Trash Service	32,425	-	32,425
Utilities	4,079	-	4,079
Depreciation	11,372	-	11,372
Total Expenses	<u>112,097</u>	<u>-</u>	<u>112,097</u>
Operating Income (Loss)	<u>34,811</u>	<u>-</u>	<u>34,811</u>
Non-operating revenues (expenses):			
Investment income	129	47	176
Grant Proceeds	-	-	-
Other revenue			
Transfers In	-	-	-
Transfers Out	(26,791)	-	(26,791)
Total Non-operating Revenues (Expenses)	<u>(26,662)</u>	<u>47</u>	<u>(26,615)</u>
Changes in Net Assets	8,149	47	8,196
Net Assets - Beginning	190,344	1,891	192,234
Net Assets - Ending	<u>\$ 198,493</u>	<u>\$ 1,938</u>	<u>\$ 200,430</u>

See Accompanying notes to the basic financial statements.

TOWN OF DOVER, Oklahoma
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUNDS

	<u>Public Works Authority</u>	<u>Meter Deposits</u>	<u>Total</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 146,909	\$ -	\$ 146,909
Payments to Suppliers	(79,411)	-	(79,411)
Payments for personnel services	(21,314)	-	(21,314)
Other	-	-	-
Net cash provided (used) by operating activities	<u>46,183</u>	<u>-</u>	<u>46,183</u>
CASH FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to General Fund	(26,791)	-	(26,791)
Transfers from Police Bail Bond Fund	-	-	-
Transfers from Public Ways Fund	-	-	-
	<u>(26,791)</u>	<u>-</u>	<u>(26,791)</u>
CASH FLOW FROM CAPITAL RELATED ACTIVITIES			
Proceeds from Grants	-	-	-
Sewer Improvements	(6,027)	-	(6,027)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received	<u>129</u>	<u>47</u>	<u>176</u>
Net change in cash and cash equivalents	13,494	47	13,542
Balance Beginning of the year	<u>35,412</u>	<u>12,412</u>	<u>47,824</u>
Balance End of the year	<u>\$ 48,907</u>	<u>\$ 12,459</u>	<u>\$ 61,366</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating Income (Loss)	\$ 34,811	\$ -	\$ 34,811
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	11,372	-	11,372
Increase in customer deposits	-	-	-
	<u>\$ 46,183</u>	<u>\$ -</u>	<u>\$ 46,183</u>

See Accompanying notes to the basic financial statements.

Note 1. Summary of Significant Accounting Policies

The accounting policy of the Town of Dover is to prepare its financial statements on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial Reporting Entity

The Town's financial reporting entity is composed of the following:

Primary Government	Town of Dover
Blended Component Units	Dover Public Works Authority
Discretely Presented Component Units	None

Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified cash basis of accounting. Revenues are recognized as when they are received. Expenditures generally are recognized when a liability is paid.

The Town reports the following major governmental funds.

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are wither legally restricted for a specific purposes or designated to finance particular functions or activities. These funds include the Public Ways Fund (1-cent sales tax), Fire Protection Fund, and the Police Bail Fund. The Public works Authority, a proprietary fund, is used to account for the business-like activities provided to the general public. Included in this fund is the Meter Deposit Fund.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during

Cash and cash equivalents

The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices. All investments of the Town are currently held as certificate of deposits.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental columns in the government-wide financial statements. Capital assets are omitted from the Town's financial statements. The Town has presented the capital assets in the Public Works or proprietary fund. The Town capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 for equipment, \$10,000 for improvements, and \$50,000 for infrastructure and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	30 - 50
Building improvements	20 - 50
Machinery and equipment	5 - 15
Infrastructure	20 - 65
Vehicles	5 - 10

Compensated absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is not reported in governmental funds only for amounts expected to be paid (matured), for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund. No liability for compensated absences has been presented on the basic financial statements.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

No long-term liabilities exist as of the balance sheet date, nor did the Town incur any debt during the fiscal year under being reported.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute either expenditures or liabilities. No encumbrances exist as of the end of the fiscal year.

Fund equity and net assets

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable—resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted—resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed—resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned—resources neither restricted nor committed for which a government has a stated intended use as established by the Town Council or a body or official to which the Town Council has delegated the authority to assign amounts for specific purposes.

Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

In the government-wide financial statements, net assets are classified in the following categories:
Invested in Capital Assets, Net of Related Debt—This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets—This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets—This category represents the net assets of the Town that are not restricted for any project or other purpose by third parties.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance—total governmental funds, and net assets—governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” There are no reconciling items to be reported under the current accounting method utilized by the Town.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” There are no reconciling items to be reported under the Town’s accounting basis.

Note 3. Budgets and Budgetary Accounting

The Town’s general budget policies are as follows:

General Fund

The Town, in accordance with Oklahoma Statutes, Title 69 the Town of Dover formally adopt budgets which include the General Fund. This annual budget is adopted or based upon 90 percent of prior years receipts.

Special revenue funds

The Town does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies.

Note 4. Cash, Cash Equivalents and Investments

The Town utilizes the services of a Treasurer for cash and investment control and accountability. The treasurer is authorized to deposit funds in accounts that are either fully insured or collateralized by acceptable collateral valued at no more than market value. Permissible investments include direct obligations of the United States Government and its Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of the current fiscal year end all cash and investments of the Town were entirely insured or collateralized as required by Oklahoma Statutes.

Deposits

The Town's cash deposits at year-end are categorized to give an indication of the level of risk assumed by the Town at year-end as follows:

Insured or collateralized with securities held by the Town or by its agent in the Town's name.

Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

All deposits of the Town are categorized as (A) type deposits identified above. The carrying amount and market value is equal to the cash balance reported in the financial statement and in the following chart as of June 30, 2011.

Deposit Categories of Credit Risk

	Category			Bank Balance	Carrying Amount	Market Value
	A	B	C			
Cash	\$ 152,116	\$	\$	\$ 152,116	\$ 152,116	\$ 152,116
Investments	<u>39,791</u>			<u>39,791</u>	<u>39,791</u>	<u>39,171</u>
Total	\$ <u>191,907</u>	\$ <u></u>	\$ <u></u>	\$ <u>191,907</u>	\$ <u>191,907</u>	\$ <u>191,907</u>

Investments

The Town's investments consisted of bank certificates of deposit during the year and are categorized as (A) type deposits identified above. The carrying amount and market value are reported in the chart above as of June 30, 2011.

Restricted funds are in designated funds that have restricted the use of these funds to certain functions. These include funds held in the meter deposits or customer deposit, public ways fund, which holds sales taxes allocated to maintenance of the Town's streets, and funds restricted for both the police and fire department uses. Total restricted funds held are cash and cash equivalents of \$57,568, and all of the certificates of deposits held by the town, in the amount of \$39,791.

Note 5. Interfund Receivables, Payables and Transfers

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

NONE

Interfund transfers during the year ended June 30, 2011 were as follows:

Transfers To	Transfers From	
General Fund	Public Works Authority	\$ 26,791
General Fund	Police Bail Bond	38,800
Public Works Authority	Public Ways	<u>(0)</u>
Total Transfers		<u>\$ 85,591</u>

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

Special revenue funds transfer excess revenues to fund various projects within the Town.

Note 6. Capital Assets

See TABLE 1.

Note 7. Unearned Revenue/Deferred Revenue

The Town has no Unearned or Deferred revenues as of June 30, 2011.

Note 8. Long-Term Debt and Bond Anticipation Notes

The Town has no short-term or long-term debt as of June 30, 2011.

Subsequent event

There are no reportable subsequent events as of the report date.

Note 9. Lease Commitments

There are no current lease commitments as of June 30, 2011 or as of the report date.

Note 10. Contingent Liabilities and Commitments

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is not currently involved in any litigation matters. In the estimation of the Town's management and legal counsel, the final settlement of these matters will not have a material adverse effect on the financial condition of the Town.

Note 11. Fund Deficits

There are no fund deficits as of June 30, 2011, or as of the report date.

Note 12. Pension Fund

The Town of Dover participated in two pension and retirement plans. The plans in which the city participated are as follows:

*Oklahoma Municipal Retirement Fund – Public Works Authority
The Oklahoma Firefighters Pension*

Oklahoma Municipal Retirement Fund

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retirement is age 65 with ten (10) or more years of vesting service, or age 62, with thirty (30) years of service. The normal retirement benefit is equal to 2.625% of final average compensation multiplied by the number of years of credit service.

Early retirement is age 55 with ten (10) or more years of vesting service. The accrued benefit payable starting at age 65 or an actuarially reduced benefit starting at early retirement age. During the fiscal year ended June 30, 2011, 2010, and 2009 the Town of Dover made total payments, including employee contributions of \$1,527.88, \$1,072.79, and \$1,072.79, respectively.

\$2,467.00, respectively.

Firefighters pension plan

Eligible members of the Town's volunteer fire department participate in a retirement and pension plan under the direction of the Oklahoma Firefighters Pension and Retirement System administered by a 13-member Oklahoma Firefighters Pension and Retirement System Board, which is a cost-sharing multiple-employer public employee retirement system (PERS). The Board acts as the fiduciary for investment and administration of the Plan.

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retirement is the first day following the day the member completes twenty (20) years of service, regardless of age. A member who terminates after ten years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50 or when the member would have completed twenty years of service, whichever is later, provided the member's contribution accumulation is not withdrawn.

Paid firefighters' normal retirement benefit is equal to 50% of final average compensation.

No employee contributions are required of volunteer firefighters. Participating municipalities and fire protection districts contribute 13% of gross salary for each paid firefighter and \$60.00 per year for each volunteer firefighter. Municipalities with revenues under \$25,000 make no contribution for volunteers. The state contributes 34% of the Insurance Premium Tax.

Note 13. 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 maintains commercial insurance coverage covering a portion of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the Town.

In the event settled claims exceed the commercial coverage provided by the Town, Oklahoma statutes provide for payment by tax levy through the Sinking Fund at the rate of one-third each year. As an alternative to paying money judgments out of the Sinking Fund at the rate of one-third each year, the court, based on consideration of evidence and proof, may provide for the judgment to be paid over a period of not less than one nor more than ten years. The interest rate on any judgment when payment is extended more than three years shall be the rate prescribed by law for the first three years and at the rate of six percent for each remaining year.

TOWN OF DOVER, Oklahoma

Schedule of Changes in Capital Assets - Modified Cash Basis

TABLE 1. Continuation of Note 6.

	July 1, 2010	Additions	Disposals	June 30, 2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other capital assets				
Buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Improvements	-	-	-	-
Total other capital assets at historical costs	-	-	-	-
Less accumulated depreciation for:				
Buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Improvements	-	-	-	-
Total accumulated depreciation	-	-	-	-
Other capital assets, net	-	-	-	-
Governmental activities capital assets, net	\$ -	\$ -	\$ -	\$ -
Business-type activities:				
Capital assets not being depreciated:				
Land	5,749	-	-	5,749
Construction in progress	-	-	-	-
Total capital assets not being depreciated	5,749	-	-	5,749
Other capital assets				
Buildings	60,033	-	-	60,033
Machinery and equipment	52,387	-	-	52,387
Utility infrastructure, water & sewer	333,953	6,027	-	339,980
Total other capital assets at historical costs	446,373	6,027	-	452,400
Less accumulated depreciation for:				
Utility Property	297,191	11,372	-	308,563
Total accumulated depreciation	297,191	11,372	-	308,563
Other capital assets, net	149,182	(5,345)	-	143,837
Governmental activities capital assets, net	\$ 154,931	\$ (5,345)	\$ -	\$ 149,586

SUPPLEMENTAL INFORMATION

TOWN OF DOVER, Oklahoma
 Budgetary Comparison Schedule General Fund - Modified Cash Basis
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 39,041	\$ 39,041	\$ 39,041	\$ -
Resources (Inflows):				
Taxes:				
Sales Tax	58,976	58,976	69,362	10,386
Franchise Tax	14,567	14,567	19,207	4,641
Use Tax	4,934	4,934	4,816	(118)
Tobacco Tax	1,094	1,094	1,282	187
Total Taxes	<u>79,571</u>	<u>79,571</u>	<u>94,667</u>	<u>15,096</u>
Intergovernmental:				
Alcoholic Beverage Tax	3,363	3,363	3,887	524
Motor Vehicle Tax	2,373	2,373	2,625	252
Gas Excise Tax	619	619	687	68
Investment Income	172	172	95	(77)
Miscellaneous Income				
Police Fines	39,204	39,204	39,178	(26)
Rental	1,125	1,125	1,450	325
Permits	250	250	37	(213)
Miscellaneous	1,972	1,972	2,656	684
Other Financing Sources:				
Transfer from Other Funds	<u>28,791</u>	<u>28,791</u>	<u>26,791</u>	<u>(2,000)</u>
Amounts available for appropriations	<u>196,481</u>	<u>196,481</u>	<u>211,115</u>	<u>14,633</u>
General Government				
Personal Services	85,000	110,750	110,602	(148)
Maintenance and Operations	91,481	70,731	41,710	(29,022)
Capital Outlay	5,000	-	-	-
	<u>181,481</u>	<u>181,481</u>	<u>152,312</u>	<u>(29,170)</u>
Police Department				
Personal Services	-	-	-	-
Maintenance and Operations	15,000	15,000	13,162	(1,838)
Capital Outlay	-	-	-	-
	<u>15,000</u>	<u>15,000</u>	<u>13,162</u>	<u>(1,838)</u>
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>196,481</u>	<u>196,481</u>	<u>165,474</u>	<u>(29,170)</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>\$ 45,641</u>	<u>\$ 43,803</u>

WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT

121 SOUTH NOBLE ~ P.O. BOX 181
PHONE 580-623-5071
TOLL FREE 800-230-7672

WATONGA, OKLAHOMA 73772
FAX 580-623-5072
WGAUER@WHEELERBROTHERS.COM

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Town Council
Town of Dover, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Dover, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued my report thereon dated April 30, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions 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, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

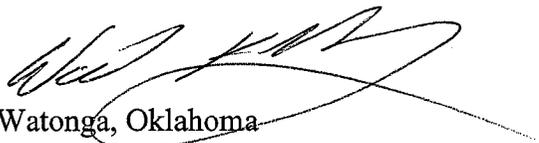
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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



Watonga, Oklahoma
April 30, 2012