

TOWN OF MOSCOW, TENNESSEE

REPORT ON FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2011

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**ROBERT A. DOLL, JR.**

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen  
Town of Moscow, Tennessee

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the Town of Moscow, Tennessee as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the governing body of the city. My responsibility is to express an opinion 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 and the audit standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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 my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Town of Moscow, Tennessee as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison of the General Fund, the Street Aid Fund, the Sanitation Fund and Drug Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated April 26, 2012 on my consideration of the Town of Moscow's internal control structure over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of

my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Town has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basis financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Moscow's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



Robert A. Doll, Jr.  
Certified Public Accountant

April 26, 2012

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

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business Activities</u>
<u>ASSETS</u>			
Cash in bank and on hand	\$ 171,334	\$ 158,849	\$ 12,485
Internal balances		101,296	(101,296)
Receivables:			
Water and sewer fees, net of \$ 6,000 allowance for uncollectables	15,239	126,645	15,239
Property taxes	126,645	3,092	
Other	3,092		
Capital assets, net of accumulated depreciation	<u>2,271,882</u>	<u>676,836</u>	<u>1,595,046</u>
	<u>\$ 2,588,192</u>	<u>\$ 1,066,718</u>	<u>\$ 1,521,474</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 6,252	\$ 3,053	\$ 3,199
Meter deposits payable	4,322		4,322
Deferred revenue- 2011 taxes	116,476	116,476	
Long-term liabilities due within one year	24,220		24,220
Long-term liabilities due beyond one year	<u>347,920</u>		<u>347,920</u>
Total Liabilities	<u>499,190</u>	<u>119,529</u>	<u>379,661</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	1,899,742	676,836	1,222,906
Restricted debt	40,735	40,735	
Restricted for streets and highways	148,525	229,618	(81,093)
Unrestricted	<u>2,089,002</u>	<u>947,189</u>	<u>1,141,813</u>
Total Net Assets	<u>\$ 2,588,192</u>	<u>\$ 1,066,718</u>	<u>\$ 1,521,474</u>

See accompanying notes to financial statements.

TOWN OF MOSCOW, TENNESSEE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAM: Governmental Activities:	Expenses	Charges For Services	Operating Grants & Donations	Capital Grants & Donations	Revenues	Net (Expenses) Revenue and Changes in Net Assets		Total
						Governmental Activities	Business-Type Activities	
Police	\$ 169,639	\$ 119,757	\$	\$	\$ (169,639)	\$	\$ (169,639)	\$ (169,639)
Administration	118,025				1,732		1,732	1,732
Streets & highways	15,246		24,141		8,895		8,895	8,895
Sanitation	32,853	36,066			6,051		6,051	6,051
Fire	18,954		2,838		101,555		101,555	101,555
Other	39,842				(39,842)			(39,842)
<b>Business Activities:</b>	<b>394,559</b>	<b>155,823</b>	<b>26,979</b>	<b>120,509</b>	<b>(91,248)</b>	<b>(23,149)</b>	<b>(91,248)</b>	<b>(91,248)</b>
Water & Sewer	250,044	226,895						
	\$ 644,603	\$ 382,718	\$ 26,979	\$ 120,509	(91,248)	(23,149)	(114,397)	(114,397)
<b>General Revenues:</b>								
Sales tax					94,901		94,901	94,901
Beer tax					37,292		37,292	37,292
Property taxes					187,624		187,624	187,624
TVA Replacement tax					6,432		6,432	6,432
Interest earnings					410	388	798	798
Other					19,187		19,187	19,187
<b>Total General Revenues</b>					<b>345,846</b>	<b>388</b>	<b>346,234</b>	<b>346,234</b>
Change in Net Assets					254,598	(22,761)	231,837	231,837
Net Assets, July 1, 2010					1,247,533	1,164,574	2,412,107	2,412,107
Adjustment To Beginning Net Assets					(554,942)		(554,942)	(554,942)
Net Assets, June 30, 2011					\$ 947,189	\$ 1,141,813	\$ 2,089,002	\$ 2,089,002

See accompanying notes to financial statements.

TOWN OF MOSCOW, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Total Governmental Funds	General Fund	Street Aid Fund	Sanitation Fund	Drug Fund
<b>ASSETS</b>					
Cash - checking and on hand	\$ 158,948	\$ 126,056	\$ 22,225	\$ 178	\$ 10,389
Accounts receivable	3,092	65,690	18,510	3,092	1,769
Due from other town funds	111,742	126,645		25,773	
Property taxes receivables	<u>126,645</u>	<u>318,391</u>	<u>40,735</u>	<u>29,043</u>	<u>12,158</u>
	<u>\$ 400,327</u>	<u>\$ 318,391</u>	<u>\$ 40,735</u>	<u>\$ 29,043</u>	<u>\$ 12,158</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable	\$ 3,053	\$ 2,129	\$ 924	\$	\$
Due to other town funds	10,445	7,798		2,647	
Deferred revenue - 2011 taxes	<u>116,476</u>	<u>116,476</u>			
	<u>129,974</u>	<u>126,403</u>	<u>924</u>	<u>2,647</u>	<u></u>
Fund balances	270,353	191,988	39,811	26,396	
	<u>\$ 947,189</u>	<u>\$ 318,391</u>	<u>\$ 40,735</u>	<u>\$ 29,043</u>	<u>\$ 12,158</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:  
Capital assets used in governmental activities are not financial resources, therefore are not reported in the funds.  
Net Assets of Governmental Activities

TOWN OF MOSCOW, TENNESSEE  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	General Fund	Street Aid Fund	Sanitation Fund	Drug Fund	Total
<b>REVENUES:</b>					
Taxes	\$ 281,680	\$	\$	\$ 6,038	\$ 281,680
Fines and tickets-net	113,719	15,609	36,066	34	119,757
Intergovernmental	45,795	7,306	36,066	34	61,404
Service fees	142,863	47	36,066	34	43,372
Miscellaneous	584,057	22,962	36,066	6,072	142,944
	<u>584,057</u>	<u>22,962</u>	<u>36,066</u>	<u>6,072</u>	<u>649,157</u>
<b>EXPENDITURES:</b>					
Police department	159,116	10,335	32,853	---	159,116
Fire department	155,167	57	---	---	155,167
Administration	110,318	---	32,853	---	110,318
Sanitation	---	---	32,853	---	32,853
Streets and highways	44,696	---	---	---	10,335
Other	469,297	10,392	32,853	---	44,753
	<u>469,297</u>	<u>10,392</u>	<u>32,853</u>	<u>---</u>	<u>512,542</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	114,760	12,570	3,213	6,072	136,615
<b>FUND BALANCE, July 1, 2010</b>	<u>77,228</u>	<u>27,241</u>	<u>23,183</u>	<u>6,086</u>	<u>133,738</u>
<b>FUND BALANCE, June 30, 2011</b>	<u>\$ 191,988</u>	<u>\$ 39,811</u>	<u>\$ 26,396</u>	<u>\$ 12,158</u>	<u>\$ 270,353</u>

See accompanying notes to financial statements.

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

Net Change in Fund Balances- Total  
 Governmental Funds \$ 136,615

Amounts Reported for Governmental Activities  
 in the Statement of Activities are  
 different because:

Governmental Funds report capital outlays  
 as expenditures. In the Statement of  
 Activities the cost is allocated over the  
 estimated useful lives and reported as  
 depreciation.

Capital outlay	\$ 155,167	
Depreciation expense	(37,184)	
The net effect of various trans- actions involving capital assets from prior years	(554,942)	(436,959)

Change in Net Assets of Governmental Activities \$ (300,344)

See accompanying notes to financial statements

TOWN OF MOSCOW, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND- WATER & SEWER  
JUNE 30, 2011

<u>ASSETS</u>	
Current Assets:	
Cash- checking and on hand	\$ 12,485
Customer fees, net of \$ 6,000 allowance for uncollectables	<u>15,239</u>
Total Current Assets	<u>27,724</u>
Plants in service	2,372,052
Less accumulated depreciation	<u>(777,006)</u>
Total Plants in Service	<u>1,595,046</u>
	<u>\$ 1,622,770</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Accounts payable	\$ 3,199
Customer deposits	4,322
Due to other town funds	101,296
Notes payable- Current Portion	<u>24,220</u>
Total Current Liabilities	<u>133,037</u>
Notes Payable- Long-term Portion	<u>347,920</u>
Total Liabilities	<u>480,957</u>
Net Assets:	
Invested in capital assets, net of related debt	1,222,906
Unrestricted	<u>(81,093)</u>
Total Net Assets	<u>1,141,813</u>
	<u>\$ 1,622,770</u>

See accompanying notes to financial statements.

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

OPERATING REVENUES:	
Water charges	\$ 103,120
Sewer charges	97,927
Miscellaneous	<u>25,848</u>
	<u>226,895</u>
OPERATING EXPENSES:	
Depreciation	68,700
Salaries and related expenses	58,895
Repairs and maintenance	43,381
Utilities	11,123
Insurance	10,761
Professional and technical fees	4,908
Office and miscellaneous	<u>41,120</u>
	<u>238,888</u>
Operating income (loss)	<u>(11,993)</u>
NON-OPERATING INCOME (EXPENSES):	
Interest income	388
Interest expense	<u>(11,156)</u>
	<u>(10,768)</u>
CHANGE IN NET ASSETS	(22,761)
NET ASSETS, July 1, 2010	<u>1,164,574</u>
NET ASSETS, June 30, 2011	<u>\$ 1,141,813</u>

See accompanying notes to financial statements.

TOWN OF MOSCOW, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND- WATER AND SEWER  
YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 249,958	
Cash paid to employees for services	(58,895)	
Cash payments to suppliers for goods and services	<u>(142,065)</u>	
Net cash provided by operating activities		\$ 48,998
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Debt service		(38,922)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments		<u>388</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,464
CASH AND CASH EQUIVALENTS, beginning of year		<u>2,021</u>
CASH AND CASH EQUIVALENTS, end of year		<u>\$ 12,485*</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)		\$(11,993)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in accounts receivable	\$ 23,063	
Depreciation	68,700	
Decrease in accounts payable	<u>(30,772)</u>	<u>60,991</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 48,998</u>

\* Cash and cash equivalents consist of cash on hand  
and in checking accounts.

See accompanying notes to financial statements

TOWN OF MOSCOW, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE- BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2011

	Budgeted Original/ <u>Final</u>	Actual Amounts	Over (Under) Final Budget
<b>REVENUES:</b>			
Taxes:			
Sales	\$ 50,000	\$ 57,062	\$ 7,062
Property	119,000	142,916	23,916
In lieu of tax payment		44,708	44,708
Beer	<u>30,000</u>	<u>36,994</u>	<u>6,994</u>
	<u>199,000</u>	<u>281,680</u>	<u>82,680</u>
Fines and tickets- net	<u>122,946</u>	<u>113,719</u>	<u>(9,227)</u>
Intergovernmental:			
Sales tax	45,000	37,839	(7,161)
TVA Replacement tax	5,510	6,432	922
Streets & transportation	1,233	1,226	(7)
Beer tax	700	298	(402)
Excise tax	<u>5,000</u>	<u>5,000</u>	<u>(5,000)</u>
	<u>57,443</u>	<u>45,795</u>	<u>(11,648)</u>
Miscellaneous:			
Grants	423,000	123,347	(299,653)
Permits	9,500	10,188	688
Interest earnings	120	329	209
Other	<u>9,035</u>	<u>8,999</u>	<u>(36)</u>
	<u>441,655</u>	<u>142,863</u>	<u>(298,792)</u>
<b>TOTAL REVENUES</b>	<u>821,044</u>	<u>584,057</u>	<u>(236,987)</u>
<b>EXPENDITURES:</b>			
Fire Department:			
Capital outlay	<u>152,000</u>	<u>155,167</u>	<u>3,167</u>

TOWN OF MOSCOW, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE- BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2011  
(CONTINUED)

	Budgeted Original/ Final	Actual Amounts	Over (Under) Final Budget
EXPENDITURES (CONTINUED):			
Police Department:			
Salaries and related expenses	\$ 174,549	\$ 127,242	\$ (47,307)
Fuel	22,000	14,629	(7,371)
Repairs and supplies	7,600	6,646	(954)
Court costs	4,200	4,200	
Training	500	1,462	962
Utilities	3,000		(3,000)
Capital outlay	15,000		(15,000)
Office & miscellaneous	<u>3,000</u>	<u>4,937</u>	<u>1,937</u>
	<u>229,849</u>	<u>159,116</u>	<u>(70,733)</u>
Administration:			
Salaries and related expenses	21,773	33,569	11,796
Professional fees	28,500	24,543	(3,957)
Insurance	28,230	14,551	(13,679)
Repairs & maintenance	1,230	11,442	10,212
Utilities	10,200	11,392	1,192
Board per diem	4,650	4,593	(57)
Advertising & dues	678	1,408	730
Capital outlay	10,000		(10,000)
Office & miscellaneous	<u>12,800</u>	<u>8,820</u>	<u>(3,980)</u>
	<u>118,061</u>	<u>110,318</u>	<u>(7,743)</u>
Public Works:			
Repairs and supplies	<u>278,608</u>	<u>          </u>	<u>(278,608)</u>
Other:			
Debt service	51,709	39,462	(12,247)
Street repairs		4,854	4,854
Pride park-net	<u>180</u>	<u>380</u>	<u>200</u>
	<u>51,889</u>	<u>44,696</u>	<u>(7,193)</u>
TOTAL EXPENDITURES	<u>830,407</u>	<u>469,297</u>	<u>(361,110)</u>
EXCESS REVENUES (EXPENDITURES)	(9,363)	114,760	124,123
FUND BALANCE, July 1, 2010	<u>77,228</u>	<u>77,228</u>	<u>          </u>
FUND BALANCE, June 30, 2011	<u>\$ 67,865</u>	<u>\$ 191,988</u>	<u>\$ 124,123</u>

See accompanying notes to financial statements.

TOWN OF MOSCOW, TENNESSEE  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 STREET AID, SANITATION FUND AND DRUG FUNDS  
 YEAR ENDED JUNE 30, 2011

	Street Aid Fund			Sanitation Fund			Drug Fund		
	Budgeted Original/ Final	Actual	Over (Under) Final Budget	Budgeted Original/ Final	Actual	Over (Under) Final Budget	Budgeted Original/ Final	Actual	Over (Under) Final Budget
REVENUES:									
Gasoline tax	\$ 16,474	\$ 15,609	\$ (865)	\$	\$	\$	\$	\$	\$
Service fees	3,240	7,306	4,066	37,000	36,066	(934)	7,205	6,038	(1,167)
Fines and tickets								34	34
Interest earned	50	47	(3)						
	<u>19,764</u>	<u>22,962</u>	<u>3,198</u>	<u>37,000</u>	<u>36,066</u>	<u>(934)</u>	<u>7,205</u>	<u>6,072</u>	<u>(1,133)</u>
EXPENDITURES:									
Street lights	10,000	10,335	335				700		(700)
Supplies and maintenance	1,800		(1,800)						
Fuel	500		(500)						
Salaries and related expenses				37,000	32,853	(4,147)	6,780		(6,780)
Contracted services							600		(600)
Capital outlay									
Office and misc.	72	57	(15)						
	<u>12,372</u>	<u>10,392</u>	<u>(1,980)</u>	<u>37,000</u>	<u>32,853</u>	<u>(4,147)</u>	<u>8,080</u>		<u>(8,080)</u>
EXCESS REVENUES (EXPENDITURES)	7,392	12,570	5,178		3,213	3,213	(875)	6,072	6,947
FUND BALANCE, July 1, 2010	<u>27,241</u>	<u>27,241</u>		<u>23,183</u>	<u>23,183</u>		<u>6,086</u>	<u>6,086</u>	
FUND BALANCE, June 30, 2011	<u>\$ 34,633</u>	<u>\$ 39,811</u>	<u>\$ 5,178</u>	<u>\$ 23,183</u>	<u>\$ 26,396</u>	<u>\$ 3,213</u>	<u>\$ 5,211</u>	<u>\$ 12,158</u>	<u>\$ 6,947</u>

See accompanying notes to financial statements.

TOWN OF MOSCOW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The financial statements of the Town of Moscow have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Reporting Entity

The financial statements of the Town consist only of the funds of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. There are no blended or discrete component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants (including fines and fees) who purchase, use, or directly benefit from goods, services, or privileges provided by given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

TOWN OF MOSCOW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt services expenditures are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received.

The major governmental funds of the Town are the General Fund, Street Aid Fund, Sanitation Fund and Drug Fund. The General Fund is the primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Street Aid Fund accounts for all revenue and expenses from the Town's share of state gasoline taxes. State law requires these receipts be kept in a separate fund and used for the construction and maintenance of Town streets and certain related street expenses. The Sanitation Fund accounts for all revenues and expenses related to the collection and disposal of solid waste. The Drug Fund accounts for revenues and expenses related to drug enforcement. The only major proprietary fund is the Water & Sewer Fund. It accounts for the water & sewer services provided to customers of the system.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

TOWN OF MOSCOW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

Private sector standards issued after this date are optional and not followed by the Town.

Amounts reported as program revenues include (1) charges to customers or applicants (including fines and fees) for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes and internally dedicated resources. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal revenue of the Water & Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Budget Compliance and Accountability

The Town operates through the use of a formal operating budget which is adopted by the Mayor and Board of Aldermen at the beginning of the fiscal year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Amendments to the budget are proposed and adopted as needed to reflect certain events or changes in operating conditions. All annual appropriations lapse at fiscal year end.

Inventory

Inventories of supplies and materials for all funds of the Town are considered by management to not be material. No inventories are reflected on the financial statements.

Receivables and Payables

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility and various other functions of the government. Elimination of these charges would distort direct costs and program revenues reported.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the

TOWN OF MOSCOW, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

fiscal year are referred to as "due to/from other funds." The amounts owed represent errors in deposits and/or expenses paid. The liabilities are not considered long term.

All trade receivables and property taxes receivables are shown net of an allowance for uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest is expensed when paid and thus not a part of the capitalized cost.

Depreciation has been provided over estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10-40 years
Equipment	5-15 years
Distribution system	10-40 years
Street Improvements	20 years

Long-term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are expensed as debt service.

NOTE 2- CASH AND INVESTMENTS

The Town's deposits at year end were fully covered by federal depository insurance or collateralized with securities held by its agent in the Town's name.

TOWN OF MOSCOW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)

NOTE 3- PROPERTY TAXES

The Town's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made. Since the enforceable legal claim is not until the next fiscal year, these taxes are deferred. Assessed values are established by the State of Tennessee. Taxes are levied at a rate of \$1.11 per \$ 100. The Town bills and collects its own current property taxes. Delinquent taxes are turned over to the county for collection.

NOTE 4- CAPITAL ASSETS

Changes in capital assets for the year was as follows:

	Balance <u>6/30/10</u>	<u>Additions</u>	<u>Reduction</u>	Balance <u>6/30/11</u>
<b>Governmental Activities:</b>				
Not depreciated:				
Land	\$ 171,084	\$ _____	\$ _____	\$ 171,084
Depreciated:				
Buildings	356,273			356,273
Equipment	<u>767,160</u>	<u>155,167</u>	<u>413,130</u>	<u>509,197</u>
	1,123,433	155,167	413,130	865,470
Less Accum. Depr.	<u>147,426</u>	<u>212,292</u>	<u>_____</u>	<u>359,718</u>
	<u>976,007</u>	<u>(57,125)</u>	<u>413,130</u>	<u>505,752</u>
	<u>\$ 1,147,091</u>	<u>\$ (57,125)</u>	<u>\$ 413,130</u>	<u>\$ 676,836</u>
<b>Business-Type Activities:</b>				
Not depreciated:				
Land	\$ 338	\$ _____	\$ _____	\$ 338
Depreciated:				
Building	40,412			40,412
Systems	2,274,335			2,274,335
Equipment	<u>87,974</u>	<u>_____</u>	<u>31,004</u>	<u>56,970</u>
	2,402,721		31,004	2,371,717
Less Accum. Depr.	<u>(739,314)</u>	<u>68,700</u>	<u>31,004</u>	<u>777,010</u>
	<u>1,663,407</u>	<u>68,700</u>	<u>_____</u>	<u>1,594,707</u>
	<u>\$ 1,663,745</u>	<u>\$ 68,700</u>	<u>\$ _____</u>	<u>\$ 1,595,045</u>

TOWN OF MOSCOW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)

Depreciation was charged to governmental functions as follows:

Fire department	\$ 18,954
Police department	10,523
General government	<u>7,707</u>
	<u>\$ 37,184</u>

NOTE 5- LONG TERM DEBT

The Town had three outstanding long term Water & Sewer obligation, (1) a 3.90% note payable with monthly payments of \$ 604, (2) 1981 5% Revenue Bonds with semi-annual payments of \$ 4,351, (3) a 2.8% State of Tennessee Public Health loan with monthly payments of \$ 1,801. During the year ended June 30, 2011, principal payments of \$ 7,457, \$ 5,770 and \$ 11,257 were made respectively. Future debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Note Payable</u>	<u>Revenue Bonds</u>	<u>St. of Tn. Health</u>
	<u>Prin.</u> <u>Int.</u>	<u>Prin.</u> <u>Int.</u>	<u>Prin.</u> <u>Int.</u>
2012	\$ 5,354	\$ 63	\$ 5,198
2013			\$ 3,504
2014			3,241
2015			5,461
2016			5,737
2017-21			2,965
2022-26			6,028
2027-28			2,674
			14,868
			15,288
			83,208
			24,852
			94,272
			14,018
			46,400
			1,666
	<u>\$ 5,354</u>	<u>\$ 63</u>	<u>\$ 70,558</u>
			<u>\$ 21,230</u>
			<u>\$ 296,228</u>
			<u>\$ 76,248</u>

NOTE 6- INTERFUND TRANSFERS

The only interfund transfers during the year ended June 30, 2011.

NOTE 7- RETIREMENT PLAN

Plan Description

Employees of the Town are members of the Political Subdivision Pension Plan (PSP), an agent multiple-employer defined benefit pension plan administered by the Tn. Consolidated Retirement System (TCRS). Benefits are determined by a formula using the member's 5 year average salary and years of service. Members can retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced benefit is available to

TOWN OF MOSCOW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)

vested members at the age of 55. There is no service requirement for disability that is the result of injury occurring in performance of duty. Members prior to July 1, 1979 are vested after 4 years. Those after July 1, 1979 are vested after 5 years. Benefits are established by state statute, Title 8, Chapter 34-37 and subject to change by Tn. General Assembly. Towns like Moscow participate in the TCRS as individual entities and are liable for all costs associated with their plan. Benefit improvements require approval by the Board of Mayor and Aldermen.

Funding Policy

Employees of the Town are required to contribute 5% of compensation. The Town is required to contribute at an actuarially determined rate. For the year ended June 30, 2011, that rate was 9.22%. The TCRS Board of Trustees determines the contribution rate.

Annual Pension Cost

For the year ended June 30, 2011, the Town's pension cost was \$ 5,352. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. The actuarial value fo assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten year period. The Town's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net pension Obligation</u>
2011	\$ 5,362	100%	\$ 0
2010	\$ 15,065	100%	\$ 0
2009	\$ 17,753	100%	\$ 0

Funded Status and Funding Progress

As of July 1, 2009, the plan was 80.18% funded. The actuarial accrued liability for benefits and the value of assets were \$0.2 million. The covered payroll was \$0.1 million, and the ratio of the UAAL to the covered payroll was 38.83%.

The annual required contribution(ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial

TOWN OF MOSCOW, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)

cost method does not identify of separately amortize unfunded acturail 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.

The Governmental Accounting Standards Board requires the plan to prepare a schedule of funding progress using the entry age actuarial cost method which went into effect during the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

A detail of plan assets, liabilities, covered payroll and funding progress for the last two actuarial valuation dates is as follows:

<u>Date</u>	<u>Plan Assets</u>	<u>Plan Liabilities</u>	<u>Unfunded</u>	<u>%</u>	<u>Covered Payroll</u>	<u>%</u>
7/1/09	\$ 190,000	\$ 237,000	\$ 47,000	80.18	\$ 121,000	38.83
7/1/07	\$ 139,000	\$ 174,000	\$ 35,000	79.89	\$ 119,000	29.41

NOTE 8- UTILITY CUSTOMERS AND RATES

At June 30, 2011, there were 268 customers using the systems. The billing rates were as follows:

Water:

Residential	\$ 22.95	First 2,000 gallons
Commercial	\$ 28.35	First 2,000 gallons
Industrial	\$ 75.60	First 2,000 gallons
All	\$ 1.35	Per additional 1,000 gallons

Sewer:

All	100% of Water Bill
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NOTE 9- RISK MANAGEMENT

The Town of Moscow is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town joined the Tennessee Municipal League Risk pool, which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The Town pays annual premiums to the Pool for its general, auto, property, errors and omissions and dishonesty policies. The Town's premiums are calculated based on its claim history. Settled claims have not exceeded coverage provided by the Pool in any of the past three years.

TOWN OF MOSCOW, TENNESSEE  
 SCHEDULE OF PROPERTY TAXES RECEIVABLE  
 JUNE 30, 2011

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<u>Year of Levy</u>	<u>Tax Rate</u>	<u>Assessed Value</u>	<u>Receivable</u>
2010	\$ 1.11	\$ 9,140,151	\$ 7,538
2009	1.11	9,582,401	1,418
2008	1.25	9,524,427	
2007	1.25	9,869,684	
2006	1.25	9,544,579	680
2005	1.00	8,854,886	6
2004	1.00	9,035,017	281
2003	.795	8,464,483	6
2002	.795	7,670,045	
2001	.790	6,419,494	<u>240</u>
			10,169
2011- unlevied taxes			<u>116,476</u>
			<u>\$ 126,645</u>

NOTE: All unpaid taxes beyond the current year of levy are turned over to the county for collection.

TOWN OF MOSCOW, TENNESSEE  
STATEMENT OF CHANGES IN LEVIED PROPERTY TAXES RECEIVABLE

LEVIED PROPERTY TAXES RECEIVABLE, July 1, 2010	\$ 34,051
ADD:	
2010 Levy	<u>117,215</u>
	151,266
LESS:	
Collections- 2010 levy	<u>141,097</u>
LEVIED PROPERTY TAXES RECEIVABLE, June 30, 2011	<u>\$ 10,169</u>

TOWN OF MOSCOW, TENNESSEE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE  
 YEAR ENDED JUNE 30, 2011

<u>Grantor</u>	<u>CDFA/ Contract #</u>	<u>Accrued Amount 6/30/10</u>	<u>Receipts</u>	<u>Expendi- tures</u>	<u>Accrued Amount 6/30/11</u>
C.D.B.G	GG-09-30120	\$	\$ 120,509	\$ 120,509	\$
F.E.M.A.	97.036	_____	9,642	9,642	_____
		<u>\$</u>	<u>\$ 130,151</u>	<u>\$ 130,151</u>	<u>\$</u>

TOWN OF MOSCOW, TENNESSEE  
 SCHEDULE OF UNACCOUNTED FOR WATER  
 JUNE 30, 2011

	<u>Gallons</u>	
WATER TREATED AND PURCHASED:		
Water pumped	12,193,000	
Water purchased	<u>0</u>	12,193,000
ACCOUNTED FOR WATER:		
Water sold	0	
Metered for consumption	8,305,193	
Fire department usage	106,500	
Flushing	95,000	
Tank cleaning/filling	0	
Street cleaning	0	
Bulk sales	0	
Water bill adjustments	<u>245,500</u>	<u>8,752,193</u>
UNACCOUNTED FOR WATER		<u>3,440,807</u>
PERCENTAGE UNACCOUNTED FOR WATER		28.22%
OTHER		

Note: 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.

**ROBERT A. DOLL, JR.**

CERTIFIED PUBLIC ACCOUNTANT

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SOMERVILLE, TN. 38068

(901) 465-9300

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

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Honorable Mayor and Board of Aldermen  
Town of Moscow, Tennessee

I have audited the financial statements of the governmental activities, business type activities and each major fund of the Town of Moscow, Tennessee, as of and for the year ended June 30, 2011, and have issued my report thereon dated April 26, 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

Management of the Town of Moscow is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Town of Moscow's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or by the Town's internal control.

My consideration of the 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.

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. Those noted are the following.

#### Street Aid- Street Light Fees

A review of the current street light fee being added to water and sewer billings to help pay for street lights needs to be made. The basis for the fee, how it is billed and the deposit of fees collected into the Street Aid Fund need approval from the Comptroller's office.

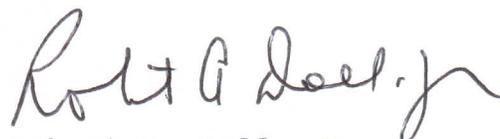
#### Interfund Balances

At June 30, 2011, there were \$ 101,296 of interfund balances. The majority of this amount goes back several years with no documentation. A review of the balances should be made and either repaid or removed.

#### Compliance

As part of obtaining reasonable assurance about whether the Town of Moscow's financial statements are free of material misstatement, I 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 my audit and, accordingly, I 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 of management and the Board of Mayor and Aldermen, 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. However, this report is matter of public record and its distribution is not limited.



Robert A. Doll, Jr.  
Certified Public Accountant

April 26, 2012