

TOWN OF MOSHEIM, TENNESSEE

Financial Statements

June 30, 2012

TOWN OF MOSEHIM, TENNESSEE
TABLE OF CONTENTS
June 30, 2012

	Page
Town Officials	1
Independent Auditor's Report	2-3
Management Discussion and Analysis	4-10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Governmental Funds	16-21
Statement of Net Assets – Proprietary Funds	22-23
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25-26
Notes to Financial Statements	27-40
Required Supplementary Information	
Schedule of Funding Progress	41
Supplementary Information	
Schedule of Expenditures of Federal and State Awards	42
Schedule of Utility (Water and Sewer) Rates	43
Insurance Coverage	44
Schedule of Unaccounted For Water	45
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46-47
Schedule of Findings	48-49

TOWN OF MOSHEIM, TENNESSEE

TOWN OFFICIALS

June 30, 2012

MAYOR:

Billy Myers

ALDERMEN:

Thomas L. Gregg

Harold Smith

David Long

Tom Carpenter

**PLANNING
COMMISSION:**

Clark Justis

Thomas L. Gregg

Billy Myers

Nathan Holt

Tom Carpenter

Justin Baskette

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Aldermen
Town of Mosheim
Mosheim, Tennessee 37818

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mosheim, Tennessee (the "Town") as of and for the year ended June 30, 2012, 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 of Mosheim, Tennessee'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 the 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 as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof and the respective budgetary comparisons for the General 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 December 22, 2012 on my consideration of the Town's internal control over financial reporting and on my 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the schedule of funding progress 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 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 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 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplemental section is presented for purposes of additional analysis and is not a required part of the basic statements. This information was derived from and relates 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 basic 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 procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



David M. Ellis
Certified Public Accountant

December 22, 2012

TOWN OF MOSHEIM, TENNESSEE
MANAGEMENT'S DISCUSSION & ANALYSIS
(Unaudited-Required Supplementary Information)
For the Year Ended June 30, 2012

As management of the Town of Mosheim, Tennessee (i.e., the Town), we offer readers of the Towns' financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2012. We encourage readers to consider this information in conjunction with the basic financial statements, the notes to the financial statements and other supplementary information which has been provided.

Financial Highlights

Key financial highlights for the year ended June 30, 2012 are as follows:

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$11,721,737. Of this amount, \$3,256,538 (unrestricted net assets) may be used to meet the Town's ongoing obligations.
- The Town's total net assets increased \$90,459 during the current year.
- As of June 30, 2012, the Town's General Fund reported a fund balance of \$3,092,631 which was a \$220,535 increase over the prior year. Out of the total fund balance, \$2,964,833 or approximately 96% of the fund balance is unassigned.
- The proprietary funds consisting of the Water Fund and the Sewer Fund had an \$86,333 decrease in combined net assets for the year. Total net assets were \$7,206,345. The Water Fund increased its net assets by \$30,443 while the Sewer Fund had a decrease in net assets totaling \$116,776.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The town's basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements and 3) notes to the basic financial statements. The report also contains other supplementary information in addition to the basic 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 private-sector business.

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Town's net assets changed during the most recent 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.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, fire, police, streets, state street aid, recreation, library, emergency services, contingencies, and employee benefits. The business-type activities of the Town include operations of its water and sewer departments with revenues being primarily user charges for services rendered.

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 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 on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of governmental funds is narrower than that of 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. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and activities.

The Town maintains one governmental fund which is the General Fund and is always considered to be a major fund. The Town adopts an annual budget for its governmental fund and budgetary comparison information is located in the basic financial statements.

Proprietary Funds

The Town maintains two proprietary funds or enterprise funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town's two enterprise funds are the Water Fund and the Sewer Fund. The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required & Other Supplementary Information

In addition to the basic financial statements and accompanying notes, additional supplementary information can be found in sections of this report.

Government-Wide Financial Analysis

The Town presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB34), Basic Financial Statements-and Management's Discussion and Analysis (MD & A) - for state and local governments.

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position. In the case of the Town, assets exceeded liabilities by \$11,721,737 for the year ended June 30, 2012.

The largest portion of the Town's net assets (71%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, water and sewer system plant and lines, 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 repay this debt must be provided for from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second largest portion net assets consist of unrestricted net assets (28%) and these net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

An additional portion of the Town's net assets (1%) represents resources that are subject to external restriction on how they may be used.

The Town of Mosheim's net assets as of June 30, 2012 and 2011 are presented as follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current & Other Assets	\$ 3,107,131	\$ 2,894,208	\$ 329,515	\$ 170,627	\$ 3,436,646	\$ 3,064,835
Capital Assets (net)	1,422,761	1,466,504	8,001,775	8,274,120	9,424,536	9,740,624
Total Assets	4,529,892	4,360,712	8,331,290	8,444,747	12,861,182	12,805,459
Liabilities						
Long-Term Liabilities	-	-	1,087,135	1,107,483	1,087,135	1,107,483
Other Liabilities	14,500	22,112	37,810	44,586	52,310	66,698
Total Liabilities	14,500	22,112	1,124,945	1,152,069	1,139,445	1,174,181
Net Assets						
Invested in Capital Assets (net of related debt)	1,422,761	1,466,504	6,914,640	7,166,637	8,337,401	8,633,141
Restricted	127,798	133,083	-	-	127,798	133,083
Unrestricted	2,964,833	2,739,013	291,705	126,041	3,256,538	2,865,054
Total Net Assets	\$ 4,515,392	\$ 4,338,600	\$ 7,206,345	\$ 7,292,678	\$ 11,721,737	\$ 11,631,278

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Charges for Services	\$ 27,120	\$ 27,477	\$ 1,149,714	\$ 1,023,580	\$ 1,176,834	\$ 1,051,057
Operating Grants/Contributions	12,000	-	-	-	12,000	-
Capital Grants/Contributions	12,994	4,040	13,965	-	26,959	4,040
Sales Tax	519,455	480,408	-	-	519,455	480,408
Other Taxes	125,720	121,554	-	-	125,720	121,554
In Lieu of Tax	27,290	23,205	-	-	27,290	23,205
State Street Aid	61,234	56,309	-	-	61,234	56,309
Investment Earnings	29,913	29,897	1,791	3,679	31,704	33,576
Miscellaneous	645	927	-	-	645	927
Total Revenue	816,371	743,817	1,165,470	1,027,259	1,981,841	1,771,076
Expenses						
General Government	295,467	293,089	-	-	295,467	293,089
Fire	66,783	68,164	-	-	66,783	68,164
Police	1,182	1,100	-	-	1,182	1,100
Highways & Streets	65,984	64,581	-	-	65,984	64,581
State Street Aid	66,519	88,384	-	-	66,519	88,384
Parks & Recreation	17,002	12,451	-	-	17,002	12,451
Library	50,377	48,512	-	-	50,377	48,512
Emergency/Adult Health Service	13,102	12,438	-	-	13,102	12,438
Economic Development	4,000	4,000	-	-	4,000	4,000
Contingency	-	-	-	-	-	-
Employee Benefits	59,163	59,568	-	-	59,163	59,568
Water & Sewer Operations	-	-	1,251,803	1,256,748	1,251,803	1,256,748
Total Expenses	639,579	652,287	1,251,803	1,256,748	1,891,382	1,909,035
Increase (Decrease) In Net Assets Before Transfers						
	176,792	91,530	(86,333)	(229,489)	90,459	(137,959)
Transfers	-	(176,628)	-	176,628	-	-
Change in Net Assets	176,792	(85,098)	(86,333)	(52,861)	90,459	(137,959)
Beginning Net Assets	4,338,600	4,423,698	7,292,678	7,345,539	11,631,278	11,769,237
Ending Net Assets	\$ 4,515,392	\$ 4,338,600	\$ 7,206,345	\$ 7,292,678	\$ 11,721,737	\$ 11,631,278

With respect to changes in net assets in the governmental activities area, revenues increased \$72,554 which was attributable to an increase in sales tax revenues and operating/capital grants. Overall expenses decreased \$12,708.

Under the area of business-type activities which consists of the Water and Sewer Funds of the Town, net assets decreased \$86,333. The Water Fund had a positive change in net assets totaling \$30,443 while the Sewer Fund had a negative change in net assets totaling \$116,776.

Financial Analysis of the Town's Funds

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

Governmental Funds

Funds are created and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An activity is not required to be reported in a separate fund is included in the General Fund. For the Town, it has only one governmental fund being the General Fund.

With respect to the General Fund, this fund is accounted for by using the modified accrual basis of accounting. As of June 30, 2012, the General Fund reported a fund balance of \$3,092,631 or an increase of \$220,535 over the previous year. At June 30, 2012, the General Fund had \$2,964,833 in unassigned fund balance while \$127,798 was restricted for State Street Aid.

Proprietary Funds

The Town maintains two proprietary funds being the Water Fund and the Sewer Fund. The proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. With respect to each individual fund the Water Fund revenues totaled \$216,700 with expenditures totaling \$186,257 resulting in a positive increase in net assets of \$30,443. For the Sewer Fund, revenues totaled \$934,805 with expenses totaling \$1,065,546 resulting in a loss of \$130,741 before taking into consideration a capital grant of \$13,965. The final change in net assets of the Sewer Fund was a decrease of \$116,776.

General Fund Budgetary Highlights

The Town adopts an annual budget for its General Fund and a budgetary comparison statement of revenues, expenditures, and changes in fund balance has been provided for the General Fund to demonstrate its compliance with this budget.

The Town's final budget differs from the original budget due to amendments that were made during the year; however, these were line item amendments only resulting in no change in the final budget totals. Actual revenues exceeded budgeted revenues by \$47,771 and actual expenses were below budgeted expenses by \$172,764.

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2012 and 2011 are presented as follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital Assets						
Land	\$ 118,602	\$ 118,602	\$ 26,698	\$ 26,698	\$ 145,300	\$ 145,300
Construction in Progress	-	-	13,965	-	13,965	-
Infrastructure	143,183	143,183	-	-	143,183	143,183
Land Improvements	327,088	327,088	-	-	327,088	327,088
Buildings	757,268	750,697	-	-	757,268	750,697
Equipment	738,497	706,570	84,858	73,126	823,355	779,696
Vehicles	276,263	276,263	-	-	276,263	276,263
Library Books	91,650	84,025	-	-	91,650	84,025
Plant in Service	-	-	14,184,260	14,109,249	14,184,260	14,109,249
Total Capital Assets	2,452,551	2,406,428	14,309,781	14,209,073	16,762,332	16,615,501
Less: Accumulated Depreciation	(1,029,790)	(939,924)	(6,308,006)	(5,934,953)	(7,337,796)	(6,874,877)
Total Capital Assets (net)	\$ 1,422,761	\$ 1,466,504	\$ 8,001,775	\$ 8,274,120	\$ 9,424,536	\$ 9,740,624

The major capital assets additions in the current year related to sewer system improvements.

Debt Administration

For the year ending June 30, 2012 and 2011, the Town had total outstanding debt obligations of \$1,087,135 and \$1,107,483. All debt is related to the business-type activities function. The Town had no additional debt issues in the current year. A comparison of outstanding debt is presented below:

	Business-Type Activities	
	2012	2011
Water/Sewer Revenue & Tax Bonds		
Series 1998	\$ 398,966	\$ 406,928
Series 2000	688,169	700,555
Total Outstanding Debt	\$ 1,087,135	\$ 1,107,483

Economic Factors & Next Year's Budget

In developing the budget, the Town's appointed and elected officials take a number of factors into consideration with the economic environment being one consideration. The Town of Mosheim is located in Greene County, Tennessee. The Town derives the majority of its revenues through state shared revenues, local sales tax options, and user charges for services rendered as the Town

does not have a property tax. For the 2012-13 year, no significant changes were made in the General Fund budget. With respect to the Water Fund, the Town has been approved for an ARC grant for approximately \$488,000 and has received approval for a state revolving loan for up to \$1,150,000 to fund a project for water system improvements. With respect to the Sewer Fund rates were increased again the 2012-2013 and the Sewer Fund has one project for sewer system improvements being fund with a \$500,000 Community Development Block Grant.

Contacting the Town's Financial Management

This report is designed to provide those interested with a general overview of the Town's finances. If you have questions about this report or need additional information, contact the City Recorder at the Town of Mosheim, Tennessee.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS:	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash	\$ 348,415	\$ 360,735	\$ 709,150
Certificate of Deposit	2,078,069	316,791	2,394,860
Accounts Receivable (net)	-	109,291	109,291
Other Receivables	14,126	44,216	58,342
Due from other Governments	130,103	2,501	132,604
Internal Balances	536,418	(536,418)	-
Inventory	-	25,419	25,419
Capital Assets Net of Accumulated Depreciation:			
Land	118,602	26,698	145,300
Construction in Progress	-	13,965	13,965
Infrastructure	120,502	-	120,502
Land Improvements	238,002	-	238,002
Building	447,789	-	447,789
Equipment	323,696	18,422	342,118
Plant in Service	-	7,942,690	7,942,690
Vehicles	102,668	-	102,668
Library Books	71,502	-	71,502
Other Assets	-	6,980	6,980
Total Assets	4,529,892	8,331,290	12,861,182
LIABILITIES:			
Accounts Payable	14,500	37,810	52,310
Long-Term Liabilities:			
Due within one year	-	21,347	21,347
Due in more than one year	-	1,065,788	1,065,788
Total Liabilities	14,500	1,124,945	1,139,445
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,422,761	6,914,640	8,337,401
Restricted for:			
State Street Aid	127,798	-	127,798
Unrestricted	2,964,833	291,705	3,256,538
Total Net Assets	\$ 4,515,392	\$ 7,206,345	\$ 11,721,737

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2012

Functions/Programs	Expenses	PROGRAM REVENUES			Net (Expense) Revenue	Governmental Activities	Business-Type Activities	Total
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions				
Primary Government								
Governmental Activities:								
General Government	\$ 295,467	\$ 24,496	\$ -	\$ -	\$ (270,971)	\$ -	(270,971)	
Fire	66,783	-	11,000	-	(55,783)	-	(55,783)	
Police	1,182	-	-	-	(1,182)	-	(1,182)	
Highways and Streets	65,984	-	-	-	(65,984)	-	(65,984)	
State Street Aid	66,519	-	-	-	(66,519)	-	(66,519)	
Parks & Recreation	17,002	-	-	-	(17,002)	-	(17,002)	
Library	50,377	2,624	1,000	12,994	(33,759)	-	(33,759)	
Emergency/Adult Health Service	13,102	-	-	-	(13,102)	-	(13,102)	
Economic Development	4,000	-	-	-	(4,000)	-	(4,000)	
Contingency	-	-	-	-	-	-	-	
Employee Benefits	59,163	-	-	-	(59,163)	-	(59,163)	
Total Governmental Activities	639,579	27,120	12,000	12,994	(587,465)	-	(587,465)	
Business-Type Activities:								
Water	186,257	215,159	-	-	28,902	28,902	28,902	
Sewer	1,065,546	934,555	-	13,965	(117,026)	(117,026)	(117,026)	
Total Business-Type Activities	1,251,803	1,149,714	-	13,965	(88,124)	(88,124)	(88,124)	
Total Primary Government	\$1,891,382	\$1,176,834	\$ 12,000	\$ 26,959	\$ (675,589)	(88,124)	(675,589)	
Change in Net Assets								
General Revenues								
Sales Tax								
Other Taxes								
In Lieu of Taxes								
State Street Aid								
Unrestricted Investment Earnings								
Miscellaneous								
Total General Revenues								
Increase (Decrease) in Net Assets								
Net Assets - Beginning								
Net Assets - Ending								

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Total Governmental Funds
ASSETS:		
Cash	\$ 348,415	\$ 348,415
Certificates of Deposit	2,078,069	2,078,069
Other Receivables	14,126	14,126
Due from other Governments	130,103	130,103
Internal Balances	536,418	536,418
Total Assets	<u>\$ 3,107,131</u>	<u>\$ 3,107,131</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	14,500	14,500
Total Liabilities	<u>14,500</u>	<u>14,500</u>
Fund Balances		
Nonspendable	-	-
Committed	-	-
Restricted for State Street Aid	127,798	127,798
Assigned	-	-
Unassigned	2,964,833	2,964,833
Total Fund Balances	<u>3,092,631</u>	<u>3,092,631</u>
Total Liabilities and Fund Balance	<u>\$ 3,107,131</u>	<u>\$ 3,107,131</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances - Total Governmental Funds	\$ 3,092,631
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$2,452,551, and the accumulated depreciation is \$1,029,790.	1,422,761
--	-----------

Net Assets of Governmental Funds	\$ 4,515,392
----------------------------------	--------------

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General Fund	Total Governmental Funds
REVENUES:		
Taxes	\$ 733,699	\$ 733,699
Charges for Services	27,120	27,120
Interest Earnings	29,913	29,913
Other Revenue	25,639	25,639
Total Revenues	816,371	816,371
EXPENDITURES:		
General Government	266,816	266,816
Fire	39,324	39,324
Police	1,182	1,182
Highways & Streets	62,404	62,404
State Street Aid	66,519	66,519
Parks & Recreation	17,002	17,002
Library	66,324	66,324
Emergency/Adult Health Services	13,102	13,102
Economic Development	4,000	4,000
Employee Benefits	59,163	59,163
Total Expenditures	595,836	595,836
Net Change in Revenues Over (Under) Expenditures	220,535	220,535
Other Financing Sources (Uses) Transfers Out	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance	220,535	220,535
Fund Balance - Beginning	2,872,096	2,872,096
Fund Balance - Ending	\$ 3,092,631	\$ 3,092,631

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

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

Net Change in Fund Balances - Total Governmental Funds	\$ 220,535
--	------------

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$89,866 exceeded capital outlays of \$46,123.

(43,743)

Change in Net Assets of Governmental Activities

\$ 176,792

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, CHANGES IN FUND BALANCE
- BUDGET ACTUAL -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes				
Local Sales Tax	\$ 340,000	\$ 340,000	\$ 359,229	\$ 19,229
Wholesale Beer Tax	114,000	114,000	117,048	3,048
In Lieu of Tax	26,000	26,000	27,290	1,290
State Sales Tax	140,000	140,000	160,226	20,226
State Income Tax	1,800	1,800	2,665	865
State Beer Tax	1,200	1,200	1,159	(41)
State Street Aid	60,000	60,000	61,234	1,234
City Streets & Transportation	4,000	4,000	4,848	848
Total Taxes	687,000	687,000	733,699	46,699
Charges for Services:				
Telecommunications	200	200	147	(53)
Cable TV Franchise Tax	17,000	17,000	19,129	2,129
Beer License	1,500	1,500	2,050	550
Fireworks Permits	900	900	450	(450)
Building Permits	2,000	2,000	2,720	720
Miscellaneous Services	-	-	-	-
Culture Recreation/Library	-	-	2,624	2,624
Total Charges for Services	21,600	21,600	27,120	5,520
Interest Earnings:				
Interest	60,000	60,000	29,913	(30,087)
Total Interest Earnings	60,000	60,000	29,913	(30,087)
Other Revenue:				
Miscellaneous Receipts	-	-	645	645
Grants/Appropriations	-	-	24,994	24,994
Total Other Revenue	-	-	25,639	25,639
Total Other Revenue	\$ 768,600	\$ 768,600	\$ 816,371	\$ 47,771

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, CHANGES IN FUND BALANCE
- BUDGET ACTUAL -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Expenditures:				
General Government:				
Board of Aldermen:				
Salaries of Aldermen	\$ 4,800	\$ 4,800	\$ 4,700	\$ 100
Election Officials/Clerks	-	-	-	-
Publication of Notices	8,700	8,700	8,186	514
Legal Services	9,000	12,500	10,277	2,223
Accounting and Auditing	27,500	27,500	28,715	(1,215)
Consulting/Fees	-	-	2,028	(2,028)
Liability Insurance	15,000	15,000	14,520	480
Total Board of Aldermen	65,000	68,500	68,426	74
Mayor:				
Salaries	3,600	3,600	3,600	-
Contract Work	-	-	760	(760)
Tax, Law, & Membership	3,200	3,200	3,033	167
Memberships/Registrations	6,100	6,400	6,264	136
Advertising	-	-	150	(150)
TN State Planning	6,750	6,750	6,750	-
Employee Auto Allowance	500	500	-	500
Out of Town Expense/Other	100	100	35	65
Total Mayor	20,250	20,550	20,592	(42)
City Recorder:				
Salaries	66,680	66,680	66,701	(21)
Hospital/Health Insurance	22,500	22,500	25,495	(2,995)
Postage	2,000	2,000	1,207	793
Miscellaneous/Fees	-	-	707	(707)
Telephone	7,600	7,600	7,815	(215)
Repairs & Maintenance	4,500	4,500	494	4,006
Other Office Supplies	15,000	30,000	14,749	15,251
Household & Janitorial	-	-	1,073	(1,073)
Public Relations	1,000	2,600	2,563	37
Surety Bonds	1,000	1,000	-	1,000
Utilities	700	700	314	386
Capital Outlay	-	-	-	-
Total City Recorder	\$ 120,980	\$ 137,580	\$ 121,118	\$ 16,462

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, CHANGES IN FUND BALANCE
- BUDGET ACTUAL -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
City Hall Building:				
Electric	\$ 15,600	\$ 15,600	\$ 7,461	\$ 8,139
Repairs & Maintenance	12,500	12,500	8,755	3,745
Janitorial Supplies	1,100	1,100	213	887
Insurance on Buildings	24,300	24,300	24,109	191
Capital Outlay - Renovations	1,000	6,500	6,571	(71)
Total City Hall Building	54,500	60,000	47,109	12,891
City Hall Grounds:				
Repairs & Maintenance	8,000	8,000	9,571	(1,571)
Total City Hall Grounds	8,000	8,000	9,571	(1,571)
Total General Government	268,730	294,630	266,816	27,814
Fire Department:				
Contract Services	3,000	3,000	1,356	1,644
Telephone	2,000	2,000	1,393	607
Training	4,000	4,000	3,638	362
Vehicle Maintenance	5,000	5,000	4,564	436
Travel	500	500	120	380
Operating Supplies	9,500	9,500	8,940	560
Gas & Oil	3,000	3,000	1,952	1,048
Miscellaneous	-	-	(346)	346
Insurance on Vehicles	7,000	7,000	-	7,000
Capital Outlay - Equipment	18,000	18,000	17,707	293
Total Fire Department	52,000	52,000	39,324	12,676
Police Department:				
Employee Auto Allowance	1,200	1,200	1,200	-
Clothing & Uniforms	300	300	(18)	318
Repairs & Maintenance	300	300	-	300
Surety Bond	200	200	-	200
Total Police Department	\$ 2,000	\$ 2,000	\$ 1,182	\$ 818

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, CHANGES IN FUND BALANCE
- BUDGET ACTUAL -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Highways & Streets:				
Salaries/Health Insurance	\$ 44,000	\$ 44,000	\$ 43,209	\$ 791
Clothing & Uniforms	7,000	7,600	7,392	208
Repairs & Maintenance	-	-	4,529	(4,529)
Gas & Oil	1,200	1,200	911	289
Signs & Supplies	9,000	9,000	6,947	2,053
Gravel	3,000	3,000	(584)	3,584
Asphalt	20,000	5,000	-	5,000
Total Highways & Streets	84,200	69,800	62,404	7,396
State Street Aid:				
Electric	26,000	26,000	20,365	5,635
Repair/Maintenance - Vehicle	12,000	12,000	1,636	10,364
Repair/Maintenance - Roads	10,000	10,000	9,931	69
Gas & Oil	1,700	1,700	701	999
Machinery/Equipment Parts	3,000	3,000	596	2,404
Crushed Stone	2,000	2,000	1,525	475
Asphalt	50,000	45,000	31,765	13,235
Total State Street Aid	104,700	99,700	66,519	33,181
Parks & Recreation:				
Advertising - Fun Days	2,500	1,500	727	773
Supplies - Fun Days	15,000	15,000	14,158	842
Prizes/Awards - Fun Days	500	500	300	200
Parks Facility	5,000	5,000	1,817	3,183
Total Parks & Recreation	\$ 23,000	\$ 22,000	\$ 17,002	\$ 4,998

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, CHANGES IN FUND BALANCE
- BUDGET ACTUAL -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Library:				
Salaries	\$ 16,200	\$ 16,200	\$ 15,785	\$ 415
Temporary Salaries	17,250	17,250	15,129	2,121
Utilities	6,380	6,380	4,635	1,745
Telephone	2,300	2,300	1,974	326
Repairs & Maintenance	1,000	1,000	229	771
Auto Allowance	500	500	-	500
Supplies	4,900	4,900	6,726	(1,826)
Capital Outlay	6,220	6,220	21,846	(15,626)
Total Library	54,750	54,750	66,324	(11,574)
Emergency & Adult Health Services:				
Electric	3,000	3,000	1,702	1,298
Water/Sewer	750	750	493	257
Gas	2,000	2,000	2,271	(271)
Building Maintenance	500	500	-	500
Repair/Maintenance - Vehicle	250	250	-	250
Gas/Oil - Adult Health Services	-	-	-	-
Child Advocacy Center	1,000	1,000	-	1,000
First TN Development District	1,000	1,000	1,000	-
Salaries	7,800	7,800	7,636	164
Second Harvest Food Bank	1,000	1,000	-	1,000
Total Emergency & Adult Health Serv.	17,300	17,300	13,102	4,198
Economic Development:				
Other Operating Supplies	4,000	4,000	4,000	-
Total Economic Development	4,000	4,000	4,000	-
Employee Benefits:				
Workmen's Compensation	35,000	39,000	38,716	284
Unemployment Insurance	900	900	1,315	(415)
Pension Contribution	13,100	14,300	6,834	7,466
OASI	24,500	24,500	12,298	12,202
Total Employee Benefits	\$ 73,500	\$ 78,700	\$ 59,163	\$ 19,537

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, CHANGES IN FUND BALANCE
- BUDGET ACTUAL -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Contingency:				
Contingency	\$ 84,420	\$ 73,720	\$ -	\$ 73,720
Total Contingency	84,420	73,720	-	73,720
Total Expenditures	768,600	768,600	595,836	172,764
Excess of Revenues Over/Under Exp.	-	-	220,535	220,535
Other Financing Sources (Uses)				
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	220,535	220,535
Fund Balance July 1, 2011	2,872,096	2,872,096	2,872,096	-
Fund Balance June 30, 2012	<u>\$ 2,872,096</u>	<u>\$ 2,872,096</u>	<u>\$ 3,092,631</u>	<u>\$ 220,535</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash	\$ 213,632	\$ 147,103	\$ 360,735
Certificates of Deposit	240,017	76,774	316,791
Accounts Receivable (net)	15,686	93,605	109,291
Other Receivables	-	44,216	44,216
Due from Other Governments	-	2,501	2,501
Internal Balances	(33,696)	(502,722)	(536,418)
Inventory	3,756	21,663	25,419
Total Current Assets	439,395	(116,860)	322,535
Non-current Assets:			
Capital Assets:			
Land	-	26,698	26,698
Construction In progress	-	13,965	13,965
Equipment & Vehicles	19,866	64,992	84,858
Plant in Service	808,726	13,375,534	14,184,260
Less: Allowance for Depreciation	(740,895)	(5,567,111)	(6,308,006)
Net Capital Assets	87,697	7,914,078	8,001,775
Other Assets:			
Bond Issue Cost (net of amortization \$3,035)	-	6,980	6,980
Total Other Assets	-	6,980	6,980
Total Noncurrent Assets	87,697	7,921,058	8,008,755
Total Assets	\$ 527,092	\$ 7,804,198	\$ 8,331,290

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Funds
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 17,668	\$ 20,142	\$ 37,810
Bonds Payable - Current Portion	-	21,347	21,347
Total Current Liabilities	17,668	41,489	59,157
Long-Term Liabilities:			
Bonds Payable	-	1,065,788	1,065,788
Total Long-Term Liabilities	-	1,065,788	1,065,788
Total Liabilities	17,668	1,107,277	1,124,945
NET ASSETS:			
Invested in Capital Assets (net of related debt)	87,697	6,826,943	6,914,640
Unrestricted	421,727	(130,022)	291,705
Total Net Assets	\$ 509,424	\$ 6,696,921	\$ 7,206,345

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF REVENUE, EXPENSES, CHANGES IN FUND NET ASSETS
- PROPRIETARY FUNDS -
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Funds
Operating Revenue:			
Charges for Services (net)	\$ 203,888	\$ 886,884	\$ 1,090,772
Fines & Forfeitures	2,804	19,190	21,994
Other Revenue	8,467	28,481	36,948
Total Operating Revenue	215,159	934,555	1,149,714
Operating Expenses:			
Salaries	4,215	164,350	168,565
Payroll Taxes	337	12,667	13,004
Health Insurance/Retirement	21	27,064	27,085
Fees & Services	1,896	28,716	30,612
Contractual Services	-	42,840	42,840
Professional Services	3,489	17,536	21,025
Water	127,052	400	127,452
Electricity	2,096	143,892	145,988
Gas, Oil, & Diesel	3,538	11,936	15,474
Office Expenses	4,310	2,793	7,103
Operating Supplies	-	77,713	77,713
Memberships, Dues, & Fees/Other	363	1,366	1,729
Repairs & Maintenance	32,368	114,862	147,230
Depreciation	6,572	366,481	373,053
Fines	-	-	-
Miscellaneous	-	-	-
Total Operating Expense	186,257	1,012,616	1,198,873
Operating Income (Loss)	28,902	(78,061)	(49,159)
Non-operating Revenues (Expenses):			
Interest Income	1,541	250	1,791
Grant Revenue	-	-	-
Bond Interest Expense	-	(52,680)	(52,680)
Amortization Expense	-	(250)	(250)
Total Non-operating Revenues (Expenses)	1,541	(52,680)	(51,139)
Income Before Contributions	30,443	(130,741)	(100,298)
Transfers In	-	13,965	13,965
Capital Contributions	-	-	-
Change in Net Assets	30,443	(116,776)	(86,333)
Net Assets June 30, 2011	478,981	6,813,697	7,292,678
Net Assets June 30, 2012	\$ 509,424	\$ 6,696,921	\$ 7,206,345

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF CASH FLOWS
- PROPRIETARY FUNDS -
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Fund
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 217,215	\$ 867,461	\$ 1,084,676
Cash Paid to Employees	(4,215)	(164,350)	(168,565)
Cash Paid to Suppliers	(174,185)	(467,976)	(642,161)
Net Cash Provided by (Used for) Operating Activities	38,815	235,135	273,950
Cash Flows from Capital & Related Financing Activities:			
Principal Paid on Long-Term Debt	-	(20,348)	(20,348)
Interest Paid on Long-Term Debt	-	(52,680)	(52,680)
Loan Proceeds	-	-	-
Loans to/from Other Funds or Governments	13,525	42,688	56,213
State Grant Funds	-	13,965	13,965
Acquisition/Sales of Capital Assets	(13,113)	(87,595)	(100,708)
Net Cash Provided by (Used for) Capital & Related Financing Activities	412	(103,970)	(103,558)
Cash Flow from Investing Activities:			
Proceeds/Investments in Certificates of Deposit	(2,736)	(743)	(3,479)
Interest Income	1,541	250	1,791
Net Cash Provided by (Used for) Investing Activities	(1,195)	(493)	(1,688)
Net Increase (Decrease) in Cash & Cash Equivalents	38,032	130,672	168,704
Cash & Cash Equivalents at Beginning of Year	175,600	16,431	192,031
Cash & Cash Equivalents at End of Year	\$ 213,632	\$ 147,103	\$ 360,735

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
STATEMENT OF CASH FLOWS
- PROPRIETARY FUNDS-
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Fund
Reconciliation of Income from Operations to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 28,902	\$ (78,061)	\$ (49,159)
Adjustments to Reconcile Income from Operations to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	6,572	366,731	373,303
Change in Assets and Liabilities:			
(Increase) Decrease in:			
Accounts Receivable	2,056	(67,094)	(65,038)
Inventory	-	(490)	(490)
Increase (Decrease) in:			
Accounts Payable	1,285	14,049	15,334
 Net Cash Provided by (Used for) Operating Activities	 \$ 38,815	 \$ 235,135	 \$ 273,950

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF MOSHEIM, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Mosheim, TN have been prepared in conformity with accounting principles generally accepted in the United States of America (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 government's accounting policies are described below.

A. Financial Reporting Entity

The Town of Mosheim is a municipal corporation governed by a Board of Mayor and Aldermen form of government. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the government's operations. The Town does not have any component units.

Individual Component Unit Disclosures

In evaluating how to define the government, for financial reporting purposes, the Town management has considered all potential component units. A component unit is an organization for which the Town is financially accountable, or for which the nature and significance of their relationship with the Town is such that exclusion from the Town's financial statements would cause them to be misleading or incomplete. The decision to include a potential component unit in the reporting entity was made by applying the criteria as set forth in GAAP. The Town is financially accountable if (1) it appoints a voting majority of the Entity's governing body and it is able to impose its will on the Entity or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other entities 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. Based upon the application of these criteria, the Town does not have any component units other than the funds operated by the Town.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which

normally are supported by 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 who purchase, use, or directly benefit from goods, services, or privileges provided by a 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. Other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement Focus, Basis of Accounting, & 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 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. 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. A 60 day period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

In accordance with GASB 33, certain revenues are required to be and are recognized in the General Fund as a receivable at June 30 and either as revenue or deferred revenue, depending upon revenue recognition policies of the entity. The following items for the Town are accrued: Local sales and use tax, intergovernmental revenues, and investment income.

Governmental Fund

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

Proprietary Funds

Water Fund – The water fund is used to account for the provision of water service to the residents of the Town. All activities necessary to provide such service are accounted for in this fund, including but not limited to, administration, operations, maintenance, and financing.

Sewer Fund – The sewer fund is used to account for the provision of sewer service to the residents of the Town. All activities necessary to provide such service are accounted for in this fund, including but not limited to, administration, operations, maintenance, and financing.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as *program revenues*. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the 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.

D. Assets, Liabilities, & Net Assets or Equity

Deposits & Investments

The Town's cash consists of cash on hand, demand deposits, regular savings accounts and certificates of deposit with original maturities of ninety days or less.

Receivables & Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Accounts receivable are shown net of an allowance for uncollectibles. Estimated uncollectible receivables were based on an analysis of the accounts receivable and prior year's collection experience.

Inventories & Prepaid Items

Inventories in the Water and Sewer Funds are valued at cost using the first-in/first-out (FIFO) method. The costs of inventory are reported as expenditures when consumed rather than when purchased.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The payments are being recorded as expenditures on the fund level for the governmental funds.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with 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 estimated fair market value at the date of donation. Infrastructure assets are capitalized and depreciated beginning with the year of implementation of GASB 34 requirements.

The costs 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 and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewage Treatment Plant	50
Sewer Collection System	42
Buildings & Improvements	40
Water Transportation & Storage System	30
Library Books	30
Vehicles	20
Land Improvements	20-30
Equipment – Heavy Duty or Fire Dept.	15
Laboratory Equipment	10
Other Equipment	7
Office Equipment	5

Compensated Absences

The Town permits employees to accumulate earned but unused vacation. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary funds' accrued vacation at year-end were immaterial and are not recorded.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Equity Classifications

Equity classifications are classified depending on whether they are presented in the government-wide statements or the fund financial statements.

Government-wide Statements- Equity is classified as net assets and displayed in three components:

- 1) Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding borrowings attributable to the acquisition, construction or improvement of those assets.

- 2) Restricted Net Assets- Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation. The City's policy is generally to use restricted net assets first, as appropriate opportunities arise.
- 3) Unrestricted Net Assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund equity is classified as fund balance. Fund balances are classified into the following categories:

- Nonspendable fund balances comprise those amounts that are legally or contractually required to remain intact.
- Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions, or enabling legislation.
- Committed fund balances comprise those amounts constrained by the government itself using its highest level of authority.
- Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority.
- Unassigned fund balances are any amounts other than those described above and are available for any purpose.

The Town's highest level of decision-making authority is the Board of Mayor and Alderman. This board may establish, modify, or rescind committed or assigned fund balances by majority vote. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to use unassigned resources first, then assigned and committed resources as needed.

Use of 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 and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY

A. Budgetary Information

The Town authorizes an annual operating budget ordinance for expenditures and related estimated revenues for the General fund and all Proprietary funds. The Town's financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the year. The Statements of Budget and Actual are as originally adopted or as amended by the board of Mayor and Aldermen. The budget is prepared

using the actual cash collections expected. The actual amounts reported by the modified accrual basis are immaterially different from the cash basis used for the budget.

NOTE 3 – DETAILED NOTE ON ALL FUNDS

A. Deposits & Investments

Deposits include demand deposits, passbook savings accounts and certificates of deposit.

The Town of Mosheim is responsible for receiving and disbursing funds of the Town. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows:

- **Deposits** – All deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Town of Mosheim. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) by an amount equal to 110% of the face amount of insured deposits if the collateral is of the same character as that required for other financial institutions; 2) an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) by providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits. Alternately, the Town's deposits may be placed in institutions participating in the Tennessee Bank Collateral Pool.
- **Investments** – State statutes authorize the Town to invest in: treasury bonds, notes or bills of the United States; non-convertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; The State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

Deposits

At year end, the Town had \$25 of cash on hand which has been included in cash. The Town's carrying amount of deposits was \$3,104,010 and the bank balances totaled \$3,114,596. The difference between the two represents deposits in transit, outstanding checks, and other reconcilable items. The Town's bank balance was covered by securities held by the entity or its agent in the entity's name, by deposits with member banks in the Tennessee Collateral Pool, or by amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

At June 30, 2012 the Town of Mosheim, TN had no investments. All amounts reflected in the basic financial statements represent deposits.

Custodial Credit Risk (Deposits)

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, the government was not exposed to custodial credit risk because all balances were properly insured.

B. Receivables

Receivables as of year-end for the Town's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables				
Accounts	\$ -	\$ 19,755	\$ 143,687	\$ 163,442
Other Receivables	14,126	-	44,216	58,342
Due From Others				
State of Tennessee/Greene County	130,103	-	2,501	132,604
Gross Receivables	144,229	19,755	190,404	354,388
Less: Allowance for Uncollectibles	-	(4,069)	(50,082)	(54,151)
Net Total Receivables	\$ 144,229	\$ 15,686	\$ 140,322	\$ 300,237

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were \$0.

C. Capital Assets

Capital asset activity for governmental funds for the year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 118,602	\$ -	\$ -	\$ 118,602
Total Capital Assets Not Being Depreciated	118,602	-	-	118,602
Capital Assets Being Depreciated:				
Infrastructure	143,183	-	-	143,183
Land Improvements	327,088	-	-	327,088
Buildings	750,697	6,571	-	757,268
Equipment	706,570	31,927	-	738,497
Vehicles	276,263	-	-	276,263
Library Books	84,025	7,625	-	91,650
Total Capital Assets Being Depreciated	2,287,826	46,123	-	2,333,949
Less: Accumulated Depreciation for:				
Infrastructure	(19,101)	(3,580)	-	(22,681)
Land Improvements	(78,302)	(10,784)	-	(89,086)
Buildings	(289,914)	(19,565)	-	(309,479)
Equipment	(374,824)	(39,977)	-	(414,801)
Vehicles	(160,690)	(12,905)	-	(173,595)
Library Books	(17,093)	(3,055)	-	(20,148)
Total Accumulated Depreciation	(939,924)	(89,866)	-	(1,029,790)
Total Capital Assets Being Depreciated (net)	1,347,902	(43,743)	-	1,304,159
Governmental Activities Capital Assets (net)	\$ 1,466,504	\$ (43,743)	\$ -	\$ 1,422,761

Capital asset activity in proprietary funds for the year ended June 30, 2012 is as follows:

<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 26,698	\$ -	\$ -	26,698
Construction in Progress	-	13,965	-	13,965
Total Capital Assets Not Being Depreciated	26,698	13,965	-	40,663
Capital Assets Being Depreciated:				
Equipment	73,126	11,732	-	84,858
Plant in Service	14,109,249	75,011	-	14,184,260
Total Capital Assets Being Depreciated	14,182,375	86,743	-	14,269,118
Less: Accumulated Depreciation for:				
Equipment	(63,331)	(3,105)	-	(66,436)
Plant in Service	(5,871,622)	(369,948)	-	(6,241,570)
Total Accumulated Depreciation	(5,934,953)	(373,053)	-	(6,308,006)
Total Capital Assets Being Depreciated (net)	8,247,422	(286,310)	-	7,961,112
Business-Type Activities Capital Assets (net)	8,274,120	(272,345)	-	8,001,775

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 35,222
Fire	45,165
Highways & Streets	3,580
Parks & Recreation	-
Library	<u>5,899</u>
Total Depreciation - Governmental Activities	<u>\$ 89,866</u>
 Business-Type Activities	
Water	\$ 6,572
Sewer	<u>366,481</u>
Total Depreciation - Business-Type Activities	<u>373,053</u>

D. Interfund Receivables, Payables, & Transfers

The due to/from Other Funds is a result of payroll and other expenses being paid through the General Fund and other funds reimbursing the General Fund. The Water Fund has a balance due to the Sewer Fund for sewer charges collected by the Water Fund. The composition of interfund balances as of June 30, 2012 is as follows:

Due to/from Other Funds		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 11,888
General	Sewer	524,530
Sewer	Water	21,809
Water	Sewer	<u>(21,809)</u>
		<u>\$536,418</u>

E. Long-Term Debt

Changes in Long-Term Liabilities – The following is a summary of debt transactions of the Town for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within 1 Year</u>
Business-Type Activities					
Revenue Bonds	\$,107,483	\$ -	\$ 20,348	\$ 1,087,135	\$ 21,347
Total Changes in Long-Term Debt	<u>\$ 1,107,483</u>	<u>\$ -</u>	<u>\$ 20,348</u>	<u>\$ 1,087,135</u>	<u>\$ 21,347</u>

Business-Type Activity Bonds are as follows for the year ended June 30, 2012:

Water/Sewer Fund Bonds Payable	Date Issued	Amount		Year of Maturity	Outstanding 6/30/12
		Authorized & Issued	Interest Rate		
Water & Sewer Revenue & Tax Bond Series 1998	10/28/98	\$ 473,000	4.375%	2038	\$ 398,966
Water & Sewer Revenue & Tax Bond Series 2000	10/28/00	800,000	5.000%	2040	688,169
Total Bonds					<u><u>\$ 1,087,135</u></u>

Debt service requirements to maturity for the business-type activity bonds are as follows:

Sewer Revenue & Tax Bond (Series 1998)

Year Ending June 30	Principal	Interest	Total
2013	\$ 8,320	\$ 17,288	\$ 25,608
2014	8,690	16,918	25,608
2015	9,078	16,530	25,608
2016	9,483	16,125	25,608
2017	9,907	15,701	25,608
2018-2022	56,574	71,466	128,040
2023-2027	70,380	57,660	128,040
2028-2032	87,554	40,486	128,040
2033-2037	108,909	19,131	128,040
2038-2039	30,071	843	30,914
Total	<u><u>\$ 398,966</u></u>	<u><u>\$ 272,148</u></u>	<u><u>\$ 671,114</u></u>

Sewer Revenue & Tax Bond (Series 2000)

Year Ending June 30	Principal	Interest	Total
2013	\$ 13,027	\$ 34,109	\$ 47,136
2014	13,690	33,446	47,136
2015	14,390	32,746	47,136
2016	15,126	32,010	47,136
2017	15,900	31,236	47,136
2018-2022	92,568	143,112	235,680
2023-2027	118,799	116,881	235,680
2028-2032	152,462	83,218	235,680
2033-2037	195,663	40,017	235,680
2038-2039	56,544	1,887	58,431
Total	<u><u>\$ 688,169</u></u>	<u><u>\$ 548,662</u></u>	<u><u>\$ 1,236,831</u></u>

NOTE 4 – OTHER INFORMATION

Risk Management

The Town is exposed to various risks of loss related to torts, thefts or damage to or destruction of assets, errors and omissions, natural disasters, and injuries of employees for which the Town carries commercial insurance purchased from independent third parties. The Town purchases conventional insurance coverage through TML. Even though the TML policy contains an assessment clause, no assessment has been levied during the years the Town has participated in this program. There has been no significant reduction in insurance coverage from the prior year and the Town has not had any settlements in the last three years that were not covered by insurance.

NOTE 5 – PENSION PLAN

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 become 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/>.

Funding Policy

The Town requires employees to contribute 5.0 percent of earnable compensation. The Town is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 6.89% 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.

Annual Pension Cost

For the year ending June 30, 2012, the Town's annual pension cost of \$14,304 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a 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, 2009 was 15 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/12	\$ 14,304	100%	\$ -
06/30/11	\$ 10,320	100%	\$ -
06/30/10	\$ 13,219	100%	\$ -

Funded Status & Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.88% percent funded. The actuarial accrued liability for benefits was \$0.12 million, and the actuarial value of assets was \$0.12 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.19 million, and the ratio of the UAAL to the covered payroll was 3.93% percent. 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.

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a) / (c))
07/01/11	\$ 116	\$ 123	\$ 8	93.88%	\$ 192	3.93%
07/01/09	\$ 57	\$ 73	\$ 16	78.18%	\$ 148	10.78%
07/01/07	\$ 38	\$ 55	\$ 17	69.09%	\$ 105	16.19%

(Dollar Amounts in Thousands)*

NOTE 6 – SEWER FUND – FINANCIALLY DISTRESSED UTILITY

Based on the criteria as set forth by the State of Tennessee Code Section 7-82-403, the Mosheim Sewer Fund is considered financially distressed since it has incurred a negative change in net assets over a two year period. Subsequent to June 30, 2012, the Mosheim Sewer Fund established an additional sewer rate increase.

NOTE 7 – SUBSEQUENT EVENT

The Town of Mosheim with respect to the Water Fund has been awarded an ARC grant in the amount of \$487,742 and additional loan fund through the State Revolving Fund Loan Program up to \$1,150,000 for system improvements. The estimated start date of the project is in 2013 with the anticipated completion date to be in 2014.

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 22, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF MOSHEIM, TENNESSEE
SCHEDULE OF FUNDING PROGRESS
June 30, 2012**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a) / (c))
07/01/11	\$ 116	\$ 123	\$ 8	93.88%	\$ 192	3.93%
07/01/09	\$ 57	\$ 73	\$ 16	78.18%	\$ 148	10.78%
07/01/07	\$ 38	\$ 55	\$ 17	69.09%	\$ 105	16.19%

SUPPLEMENTAL INFORMATION

TOWN OF MOSHEIM, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL STATE AWARDS
For the Year Ended June 30, 2012

Grantor Agency	Program Name	CFDA #	Balance 7/1/11	Receipts	Federal Expenditures	Balance 6/30/12
State Grants						
State of Tennessee Pass-through from Local Government	Library Technology Grant	45.310	\$ -	\$ 1,000	\$ 1,000	\$ -
Total State Grants			-	1,000	1,000	-
Federal Grants						
State of Tennessee	Community Dev. Block Grant	14.228	\$ -	\$ 13,965	\$ 13,965	\$ -
State of Tennessee	Library Grant	N/A	\$ 12,994	-	\$ 12,994	\$ -
Total Federal Grants			12,994	13,965	26,959	-
Total Federal and State Grants			\$ 12,994	\$ 14,965	\$ 27,959	\$ -

TOWN OF MOSHEIM, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE CUSTOMERS
June 30, 2012

<u>UTILITY</u>	<u>RATE</u>
Water - Residential	
Up to 2,000 Gallons	\$10.65
Next 2,000 Gallons (per 1,000)	\$3.93
For Each 1,000 Gallons over 4,500	\$2.32
Total Number of Customers at Year End:	694
Sewer - Residential	
Up to 2,000 Gallons	\$22.28
Next 2,000 Gallons (per 1,000)	\$5.57
For Each 1,000 Gallons over 4,000	\$5.01
Sewer - Commercial	
Up to 6,000 Gallons	\$46.41
For Each 1,000 Gallons over 6,000	\$5.01
Sewer - Industrial & Large Commercial	
Up to 6,000 Gallons	\$83.55
Next 174,000 Gallons (per 1,000)	\$5.18
For Each 1,000 Gallons over 180,000	\$3.80
Total Number of Customers at Year End:	1,265

TOWN OF MOSHEIM, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2012

<u>COVERAGE</u>	<u>AMOUNT</u>
Crime	
Employee Dishonesty	\$ 150,000
Recorder Bond	\$ 25,000
Forgery	\$ 150,000
Theft, Disappearance, or Destruction	\$ 150,000
Computer Fraud	\$ 150,000
Property/Personal Property	\$ 11,767,358 limit
Worker's Compensation	\$ 1,000,000 per employee - each accident
	\$ 1,000,000 policy limit
	\$ 1,000,000 per employee - each disease
General Liability	\$ 50,000 - \$ 1,000,000
Errors and Omissions Liability	\$ 1,000,000
Business Automobile	\$ 1,000,000 liability

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

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

Board of Mayor and Aldermen
Town of Mosheim, Tennessee

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of the Town of Mosheim, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the Town of Mosheim, Tennessee's basic financial statements and have issued my report thereon dated December 22, 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 the Town of Mosheim, Tennessee'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 of Mosheim, Tennessee's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Mosheim, Tennessee'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. I consider the deficiency described in the accompanying schedule of findings as 12-01 to be a material weakness.

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 of Mosheim, Tennessee'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 two instances of noncompliance identified as 12-02 and 12-03 that is required to be reported under *Government Auditing Standards*.

The Town of Mosheim, Tennessee's response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit the Town of Mosheim, Tennessee's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of management and the Comptroller of the State of Tennessee, the U.S. Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.



December 22, 2012

TOWN OF MOSHEIM, TENNESSEE
SCHEDULE OF FINDINGS
June 30, 2012

Current and Prior Year Findings:

12-01

Lack of Separation of Duties:

Condition: Although the Town has several employees, one employee receives collections, records collections, prepares deposits and delivers collections to the bank for deposit without oversight or verification. Additionally, there is no oversight to the purchasing function for the Sewer utility.

Criteria: The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 1, Section 1, states:

Municipal officials should separate duties of employees so that no one person has control over a complete transaction from beginning to end. Workflow should be established so that one employee's work is automatically verified by another employee working independently...

Title 6, Chapter 1, Section 2, of the manual further states:

Municipal officials should require internal control procedures that help prevent and/or detect errors or irregularities. These procedures include designating an employee without prior access to the records to: reconcile bank accounts... reconcile subsidiary ledgers... periodically reconcile petty cash... open mail and list mail collections... perform routine duties of other employees... for at least one vacation period per year.

Effect: The result of one employee handling an entire accounting transaction is the danger that intentional or unintentional errors could be made and not detected.

Recommendation: To the extent possible, segregate the duties of preparing the bank deposit separate from the duty of posting receipts to customer accounts and reconciling monthly bank statements.

Management's response: Town management has utilized additional personnel to segregate duties to the extent they deem possible and reasonable.

Current Year Status: This condition still does, and likely will continue to, exist.

TOWN OF MOSHEIM, TENNESSEE
SCHEDULE OF FINDINGS
June 30, 2012

12-02

Sewer Fund Operating at a Continued Deficit

Condition: The Sewer Fund has experienced a negative change in Net Assets for more than two consecutive years.

Criteria: Public Chapter 72 (effective April 15, 2009) amended T.C.A. 68-221-1010(a) requires the Comptroller of the Treasury to refer a water system facility that has a negative change in net asset for two consecutive years to the Water and Wastewater Financing Board.

Effect: The Utility will be subject to the supervision and evaluation of the Utility Management Review Board due to the Utilities "financially distressed condition".

Recommendation: The Town should take further steps to ensure compliance with the requirements of the Act.

Management's Response: Management has implemented two rate increases, and is working to correct the issues of noncompliance.

Current Year Finding:

12-03

Invoice Cancellation:

Condition: Invoices are paid without the account to be charged indicated on them.

Criteria: The Internal Control and Compliance Manual for Tennessee Municipalities Title 5 Chapter 19 Section 3 recommends that personnel cancel each page of the supporting documentation by writing the check number, amount, payment date and account to be charged on the first page and stamping "PAID" on all other pages.

Cause: The Town's policy does not dictate that this procedure be followed.

Effect: Invoices could be paid more than once or charged to the wrong account.

Recommendation: The Town should cancel invoices based on the requirements in the Internal Control and Compliance Manual for Tennessee Municipalities.

Management's Comments: Management has been advised of correct procedure and will implement.