

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 2004

Report
of
Examination

C O N T E N T S

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TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2004

As management of the Town of Thompson's Station, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2004. Readers are encouraged to consider information presented here in conjunction with the Town's financial statements. Please note, the Town will present comparative data in future years as this information becomes available.

FINANCIAL HIGHLIGHTS

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$1,573,660 (net assets). Of this amount, \$884,281 is considered unrestricted funds and may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net assets increased by \$63,856.
3. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$941,678, an increase of \$64,513 from the previous year. Approximately 93.5% of this total amount, or \$884,297 is available for spending at the government's discretion (unreserved fund balances).
4. At June 30, 2004 unreserved fund balance for the General Fund, the only government fund of the Town, was \$884,297 or 477.27% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements. These financial statements are designed to provide readers with a broad overview of the Town of Thompson's Station's finances in a manner similar to a 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 may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, licenses, and permits, and intergovernmental revenues (governmental activities) from other functions that are

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
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intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government and highways and streets. The Town does not maintain a business-type or proprietary activity.

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 of Thompson's Station, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Town-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 fiscal year. Such information may be useful in evaluating a Town's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Thompson's Station adopts an annual budget for its general fund.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Town of Thompson's Station does not maintain a proprietary fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. Town of Thompson's Station does not maintain a fiduciary fund.

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

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2004

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The original budget and amended budget appears on pages 20-21.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town of Thompson's Station, assets exceeded liabilities by \$1,573,660 at the end of the most recent fiscal year.

**TOWN OF THOMPSON'S STATION'S
NET ASSETS**

	Governmental Activities 2004
Current and other assets	\$ 979,507
Capital assets	<u>640,005</u>
Total assets	<u>1,619,512</u>
Long-term liabilities outstanding	8,007
Other liabilities	<u>37,845</u>
Total liabilities	<u>45,852</u>
Net assets:	
Invested in capital assets, net of related debt	631,998
Restricted	57,381
Unrestricted	<u>884,281</u>
Total net assets	\$ <u>1,573,660</u>

A significant portion of the Town's net assets (39.0%) reflects its investment in capital assets (for example- land, buildings 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; therefore, these assets are not available for future spending. Although the Town of Thompson's Station's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At year-end, \$57,381 of the Town's net assets (3.65%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$884,281, may be used to meet the government's ongoing obligations to citizens and creditors

At the end of the current fiscal year, the Town of Thompson's Station is able to report a positive balance in the category of net assets for the government as a whole.

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2004

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2004:

TOWN OF THOMPSON'S STATION'S
CHANGE IN NET ASSETS

	Governmental Activities
	2004
Program revenues:	
Charges for service	\$ 0
Operating grants & contributions	0
Capital grants & contributions	0
General revenues:	0
Property taxes	37,753
Sales taxes	102,984
Other taxes	57,379
Other	51,678
Total general revenues	249,794
Expenses:	
General government	155,552
Highways and streets	30,386
Total expenses	185,938
Change in net assets	63,856
Net assets, June 30, 2003	1,509,804
Net assets, June 30, 2004	\$ 1,573,660

Governmental Activities. Governmental activities increased the Town of Thompson's Station's net assets by \$63,856. This increase is primarily due to revenues exceeding the costs of services provided.

Financial Analysis of the Town's Funds

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

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Thompson's Station's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town of Thompson's Station's governmental fund reported an ending fund balance of \$941,678, an increase in comparison with the prior year.

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGAMENT DISCUSSION AND ANALYSIS
JUNE 30, 2004

The general fund is the chief operating fund of the Town of Thompson's Station. At the end of the current fiscal year, unreserved fund balance for the general fund was \$884,297. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 477.27% of total general fund expenditures. The fund balance increased \$64,513 as a result of the current fiscal year operations.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget were very minor and reflected classification changes in some revenue and expense items, while not changing the overall total revenue or total expense amount. Revenue in the General Fund was higher than budgeted by \$46,594 and expenses were lower than budgeted by \$17,919. The only negative variance was for a refund of state income tax of \$22,461 determined by an audit conducted by Williamson County and the State of Tennessee. Williamson County residents with a Thompson's Station mailing address had indicated they were Thompson's Station residents on their income tax returns that had resulted in an overpayment of the allocation of those taxes to the Town, which was refunded to the State.

Capital Asset and Debt Administration

Capital assets. The Town of Thompson's Station's investment in capital assets for its governmental type activities as of June 30, 2004 amounted to \$640,005 (net of depreciation). This investment includes land, buildings, improvements, machinery and equipment.

There were no additions to the capital assets in the last fiscal year. Additional information on the Town of Thompson's Station's capital assets can be found in Note 4 on page 8.

TOWN OF THOMPSON'S STATION'S
CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities
	2004
Land	\$ 350,165
Buildings	289,840
Equipment	0
Roads	0
Total capital assets	\$ 640,005

Long-term Debt. At the end of the fiscal year, the Town of Thompson's Station's total debt was \$8,007. The entire amount was for the debt incurred over the past years.

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2004

TOWN OF THOMPSON'S STATION'S
OUTSTANDING DEBT

	<u>Governmental Activities</u> <u>2004</u>
Notes payable	\$ <u>8,007</u>

Additional information on the Town of Thompson's Station's outstanding debt can be found in Note 5 on page 19.

Economic Factors and Next Year's Budgets and Rates

Determining the budget for the 2004-2005 fiscal year is challenging because the Town is in the beginning stages of a substantial growth burst due to the impending completion of State Road 840, the attractive housing opportunities in the area, and the overall growth experienced by Williamson County and its other municipalities. The impact of this growth on the budget is difficult to predict as a few significant developments can alter the revenue and expenses related to this growth. It is anticipated that personnel will be added to the Town's staff in the 2004-2005 time period. It is likely the budget will be amended during the fiscal year as the growth and development of the Town becomes clearer.

Requests for Information

This financial report is designed to provide a general overview of the Town of Thompson's Station's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town of Thompson's Station, Office of the Mayor, P.O. Box 100, Thompson's Station, Tennessee 37179.

PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

234 4th Avenue North

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

TELEPHONE # 615-794-4313

FAX # 615-595-2297

DAN H. PARSONS, CPA
PATRICIA L. PARSONS, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

December 12, 2004

Board of Mayor and Aldermen
Town of Thompson's Station, Tennessee
Thompson's Station, Tennessee

We have audited the accompanying financial statements of the governmental activities of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 2004, 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 Thompson's Station, Tennessee, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the Town of Thompson's Station, Tennessee, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2004, on our consideration of Town of Thompson's Station's internal control over financial reporting and on our tests on its compliance with certain provisions of laws, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 20 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Thompson's Station, Tennessee's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Parsons and Associates

Parsons and Associates

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS

Cash and cash equivalents	\$ 904,352
Property tax receivable	38,539
Sales tax receivable	12,864
Intergovernmental revenue receivable	23,752
Land	350,165
Buildings and improvements	331,196
Accumulated depreciation	(41,356)
<u>Total</u>	\$ <u>1,619,512</u>

LIABILITIES

Accounts payable	\$ 1,335
Accrued interest	16
Deferred revenue	36,494
Long-term liabilities due within one year	8,007
	<u>45,852</u>

NET ASSETS

Invested in capital assets, net of related debt	631,998
Restricted for:	
Roads and streets	57,381
Unrestricted	884,281
	<u>1,573,660</u>
<u>Total</u>	\$ <u>1,619,512</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2004

	<u>Expenses</u>	Net (Expense) Revenue and Changes in <u>Net Assets</u>
PRIMARY GOVERNMENT		
Governmental Activities		
General government	\$ 155,552	\$(155,552)
Highways and streets	<u>30,386</u>	<u>(30,386)</u>
Total Governmental Activities	\$ <u>185,938</u>	<u>(185,938)</u>
General Revenues:		
Taxes:		
Property taxes		37,753
Sales taxes		102,984
Payment in lieu of tax		8,473
Income taxes		9,272
Licenses and permits		1,544
Investment income		8,932
Intergovernmental revenue not restricted to specific programs		3,544
Intergovernmental revenue restricted to specific programs		36,090
Miscellaneous		<u>41,202</u>
Total General Revenues		<u>249,794</u>
 Change in net assets		 63,856
Net assets - beginning, restated		1,509,804
Net assets - ending		\$ <u>1,573,660</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General <u>Fund</u>
<u>ASSETS</u>	
Cash	\$ 904,352
Taxes receivable - property tax	38,539
Taxes receivable - other	36,616
<u>Total</u>	\$ <u>979,507</u>
 <u>LIABILITIES</u>	
Deferred revenue - taxes	\$ 36,494
Payroll taxes payable	1,335
<u>Total Liabilities</u>	<u>37,829</u>
 <u>FUND BALANCE</u>	
Fund Balance - Roads and Streets	57,381
Fund Balance - Unreserved	884,297
Total Fund Balance	<u>941,678</u>
 <u>Total</u>	 \$ <u>979,507</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
RECONCILIATION OF BALANCE SHEET (GOVERNMENTAL FUNDS) TO
STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2004

Total balances: governmental fund balances \$ 941,678

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$41,356. 640,005

Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:

Accrued interest payable (16)
General obligation bonds payable (8,007)

Net assets of governmental activities \$ 1,573,660

See notes to financial statement.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	
Taxes	\$ 101,662
Licenses and permits	400
Intergovernmental	132,715
Other	15,017
<u>Total Revenues</u>	<u>249,794</u>
 <u>Expenditures</u>	
Current:	
General government	63,388
Roads and streets	82,118
Parks and recreation	6,516
Other - tax refund	22,461
Capital outlay	2,485
Debt service	8,313
<u>Total Expenditures</u>	<u>185,281</u>
Excess (deficiency) of revenues over (under) expenditures	64,513
Fund Balance - beginning of year	877,165
Fund Balance - end of year	\$ <u>941,678</u>

See notes to financial statement.

TOWN OF THOMPSON'S STATION, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT
OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Net changes in fund balances - total government funds	\$ 64,513
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Depreciation expense	(8,280)
Bond proceeds provide current financial resources to Governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital Outlay Note principal payments	7,639
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued interest payable	(16)
Change in net assets of governmental activities	\$ <u>63,856</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Thompson's Station, Tennessee, (the "Town"), located in Williamson County, Tennessee, was incorporated August 15, 1990, under the provisions of Section 6-1-202, etc. seq., of the Tennessee Code Annotated. The Town operates under a Mayor-Aldermanic form of government and is authorized to provide all services accorded to municipalities in the State of Tennessee.

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by GASB (Governmental Accounting Standards Board). The following is a summary of the significant accounting policies of the Town of Thompson's Station:

Reporting Entity

The Town's accompanying financial statements present the governmental units relevant to the operations of the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Thompson's Station, Tennessee.

The government-wide financial statements, the statement of net assets and the statement of changes in net assets, report information on all the nonfiduciary activities of the Town. The statement of activities presents the amount of direct expenses of a given function that are offset by the related program revenues. The direct expenses are those that are clearly related to a specific function. Program revenues include charges to those who use, purchase and/or directly benefit from the services and/or goods provided by a given function. Taxes and other revenues not properly included in program revenues are reported as general revenues.

Based on criteria in GASB pronouncements, there are no component units to be included for which the Town is considered financially responsible.

Basis of Accounting and Basis of Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are reported when they are incurred, regardless of the timing of the cash flow activity. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified basis of accounting. Revenues are considered to be available when they are collectible within the current period or shortly thereafter to pay liabilities of the current period. On this basis, the Town deems revenue to be available if they are collectible within 60 days after the end of the close of the fiscal year. Expenditures are generally recorded when a liability is incurred, as in accrual accounting. Some expenditures (debt service expenditures, for example)

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

are recorded only when the payment is due. Property taxes, licenses, permits and interest related to the current fiscal period are all considered to be susceptible to be accrued and have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available when the cash is received by the government and is recognized as revenue at that time.

The Town presents its governmental funds as follows:

The 'general fund' is the Town's primary operating fund. It includes all financial resources of the general government, except those required to be accounted for in other funds.

The 'state street aid fund' is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Private sector standards of accounting and financial reporting prior to December 1, 1989, are generally followed in governmental fund financial statements to the extent that those standards do not conflict with or contradict with the guidance of the Governmental Accounting Standards Board. The Town of Thompson's Station elected not to follow the private sector standards.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and consist of demand deposits and investments in the Local Government Investment Pool of the State of Tennessee.

State statutes authorize the Town to invest in: (a) U S Government securities and obligations guaranteed by the U S Government; (b) deposits in state and federal chartered banks and savings and loan associations; and (c) Local Government Investment Pool of the State of Tennessee. Deposits in financial institutions are required by state statute to be secured by and collateralized by the institution. Collateral must meet certain requirements and must have a minimum market value equal to 105% of the value of the deposit balance in the financial institution less the amount insured by the Federal Depository Insurance Corporation (FDIC). These collateral requirements are not applicable for financial institutions participating in the State of Tennessee collateral pool.

The Local Government Investment Pool of the State of Tennessee operates in accordance with the appropriate state laws and regulations and the reported value of the pool is the same as the fair value of pool shares.

Receivables

Based on prior experience, officials of the Town of Thompson's Station believe an allowance for uncollectible receivables is not deemed necessary.

TOWN OF THOMPSON'S STATION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

Capital Assets

Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Town as assets with an original and individual cost of \$5,000 or more and have an estimated useful life of more than one year. Purchased or constructed assets are recorded at cost; capital assets that are donated are recorded at their estimated fair value at the date of the donation. The Town elected not to capitalize retroactively its major general infrastructure (roads, sidewalks, bridges and similar assets). Such assets will be reported as new items are acquired and constructed in the future. Repairs and maintenance costs that do not significantly extend the useful life or increase the value of the asset are not capitalized.

Depreciation is recorded based on the straight-line method over the estimated useful life of the asset. The estimated useful life of the buildings is 40 years.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund Balances

In the fund financial statement, the governmental funds present reserves of fund balances that are not available for appropriations and/or legally restricted by a third-party for specific uses.

NOTE 2 - PROPERTY TAXES

The Town's property tax is levied for the current year on October 1 each year on the assessed value as of the previous January 1 for all real and personal property within the boundaries of the Town. Property taxes are secured by a statutory lien as of the original assessment date of January 1 and are an enforceable legal claim. Taxes may be paid during the period of October 1 through February 28 and become delinquent on March 1.

A schedule of tax rates, assessments, levies and taxes are as follows:

Year Of Levy	Tax Rate	Assessment	Levy	Balance 6-30-03	Taxes Levied	Collections	Balance 6-30-04
1994	.23	\$ 7,998,690	\$ 18,397	\$ 19	\$	\$	\$ 19
1995	.23	8,242,612	18,958	8			8
1996	.23	7,923,914	18,225	0			0
1997	.23	8,800,435	20,241	0			0
1998	.23	13,226,521	30,421	44		32	12
1999	.18	17,718,887	31,894	33		32	1
2000	.18	18,196,665	32,754	414		114	300
2001	.15	21,708,577	32,563	170		92	78
2002	.15	22,430,667	33,646	2,094		1,858	236
2003	.15	23,805,330	35,708	35,708		34,317	1,391
2004	.15	24,379,331					
				\$ <u>38,490</u>	\$ <u>36,494</u>	\$ <u>36,445</u>	\$ <u>38,539</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 3 - DEPOSITS

The Town's cash and cash equivalents, at June 30, 2004, were deposited in a financial institution which participates in the bank collateral pool administered by the Treasurer of the State of Tennessee. Collateral is required to secure these public funds equal to at least 105% of the average daily balance of public funds held. Collateral securities are pledged to the State Treasurer on behalf of the collateral pool. Securities pledged to protect these public funds are pledged in the aggregate rather than for each individual account. Participating financial institutions may be required to pay an assessment to cover any deficiency, if any. Under this assessment agreement, public fund balances covered by the pool are considered to be insured for purposes of credit risk disclosures.

A reconciliation of cash and cash equivalents as shown on the statement of net assets is as follows:

Carrying amounts of deposits	\$ 15,978
Deposits in State of Tennessee Local Government	
Investment Pool	<u>888,374</u>
Total	<u>\$ 904,352</u>

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
<u>Capital assets not being depreciated</u>				
Land	\$ 350,165	\$	\$	\$ 350,165
<u>Capital assets being depreciated</u>				
Building and improvements	331,196			331,196
<u>Total assets being depreciated</u>	<u>331,196</u>			<u>331,196</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	33,076	8,280		41,356
Governmental activities capital assets, net	<u>\$ 648,285</u>	<u>\$ 8,280</u>		<u>\$ 640,005</u>
Depreciation expense				
Depreciation expense was charged to functions/programs as of June 30, 2004 as follows:				
General government	<u>\$ 8,280</u>			

TOWN OF THOMPSON'S STATION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities, during the year ended June 30, 2004, were as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due within</u> <u>one year</u>
Governmental Activities					
Capital Outlay Note	\$ <u>15,646</u>		\$ <u>7,639</u>	\$ <u>8,007</u>	\$ <u>8,007</u>

Description of long-term liabilities:

Capital Outlay Notes payable at June 30, 2004, were as follows:

Governmental Activities

\$75,000 Capital Outlay Note, Series 1993, due in semi-annual payments of \$4,155 each, including interest at a rate of 4.835% \$ 8,007

Debt Service Requirements

The annual debt service requirements to maturity for long-term debt obligations as of June 30, 2004, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ <u>8,007</u>	\$ <u>303</u>

NOTE 6 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; damage to, destruction and theft of assets, errors, and omissions and natural disasters for which the Town carries commercial insurance. There have been no reductions in coverage from the prior year and no settlements which would have exceeded the coverage in the past three years.

NOTE 7 - RECONCILIATION OF FUND BALANCES AND NET ASSETS

For the year ended June 30, 2004, the Town implemented the accounting and reporting standards of GASB 34.

	<u>Balance</u> <u>6-30-03</u>	<u>GASB 34 Adjustments</u>		<u>Balance</u> <u>7-1-03</u>
		<u>Debit</u>	<u>Credit</u>	
Fund Balance	\$ 877,165	\$ 877,165	\$	\$
Restricted assets:				
roads and streets			51,677	51,677
Unrestricted			825,488	825,488
	\$ <u>877,165</u>	\$ <u>877,165</u>	\$ <u>877,165</u>	\$ <u>877,165</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
<u>RESOURCES (Inflows)</u>				
<u>Taxes</u>				
Property	\$ 33,000	\$ 33,000	\$ 37,753	\$ 4,753
Privilege	500	500	1,144	644
Licenses and permits	100	100	400	300
Wholesale beer	22,000	23,000	34,551	11,551
Local sales tax - Trustee	25,000	24,000	27,648	3,648
Interest and penalty revenue	0	0	566	566
<u>Total Taxes</u>	<u>80,600</u>	<u>80,600</u>	<u>102,062</u>	<u>21,462</u>
<u>Intergovernmental Revenue</u>				
Payments in lieu of taxes	8,000	8,000	8,473	473
State of Tennessee - sales tax	67,000	67,000	75,336	8,336
State of Tennessee - beer tax	600	600	637	37
State of Tennessee - street and Transportation	2,500	2,500	2,907	407
State of Tennessee - income tax	6,000	6,000	9,272	3,272
State of Tennessee - gasoline and fuel tax	31,000	31,000	36,090	5,090
<u>Total Intergovernmental Revenue</u>	<u>115,100</u>	<u>115,100</u>	<u>132,715</u>	<u>17,615</u>
<u>Other Income</u>				
Interest	7,000	7,000	8,932	1,932
Other	500	500	6,085	5,585
<u>Total Other Income</u>	<u>7,500</u>	<u>7,500</u>	<u>15,017</u>	<u>7,517</u>
<u>Amounts Available for Appropriation</u>	<u>203,200</u>	<u>203,200</u>	<u>249,794</u>	<u>46,594</u>

See notes to financial statements.

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With Final Budget Positive (Negative)</u>
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>				
<u>General Government</u>				
Office supplies	\$ 1,500	\$ 2,550	\$ 1,989	\$ 561
Postage, freight and express charges	500	500	381	119
Professional fees - legal	15,000	15,000	12,669	2,331
Professional fees - auditor	2,500	2,500	2,500	0
Professional fees - other	15,000	15,000	12,980	2,020
Donations	500	500	0	500
Bank charges	100	100	10	90
Payroll - City Recorder	4,800	5,800	5,800	0
Payroll taxes	450	600	478	122
Publication of legal notices	2,000	2,000	375	1,625
Board member expenses	1,000	1,000	897	103
Utilities	9,000	9,000	6,641	2,359
Memberships and subscriptions	1,200	1,200	877	323
Insurance	7,000	7,000	6,995	5
Telephone expense	850	850	755	95
Repairs and maintenance - building	5,000	12,800	6,905	5,895
Animal Control services	1,200	1,200	902	280
Trustee commission	1,500	1,500	1,416	84
Building improvements	10,000	0	0	0
Other expenses	1,000	1,000	800	200
Repairs - streets - general	66,700	66,700	51,732	14,968
Parks and recreation expense	10,000	10,000	6,516	3,484
Repairs - streets - SSA	31,000	31,000	30,386	614
Internet web site development	500	500	0	500
Planning and mapping	1,000	1,000	0	1,000
Fixed assets acquired	5,000	5,000	2,485	2,515
Refund of state income tax	0	0	22,461	(22,461)
Privilege tax expenditures - roads	500	500	0	500
Debt retirement	8,400	8,400	8,313	87
<u>Total Charges to Appropriations</u>	<u>203,200</u>	<u>203,200</u>	<u>185,281</u>	<u>17,919</u>
<u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>	0	0	64,513	64,513
Fund Balance - July 1, 2003	877,165	877,165	877,165	0
Fund Balance - June 30, 2004	\$ <u>877,165</u>	\$ <u>877,165</u>	\$ <u>941,678</u>	\$ <u>64,513</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
JUNE 30, 2004

SCHEDULE OF INSURANCE

<u>Company</u>	<u>Period</u>	<u>Coverage</u>	
TML Risk Management Pool	7-1-03/04	Commercial General Liability	
		Injury - per person	\$ 250,000
		- per occurrence	600,000
		Property damage -	
		per occurrence	85,000
		Each other loss -	
		per occurrence	1,000,000
 TML Risk Management Pool	 7-1-03/04	 Property	
		Fire and extended coverage	714,022
		Deductible	500
 TML Risk Management Pool	 7-1-03/04	 Workers Compensation	
		Bodily injury - by accident	250,000
		by disease	
		policy limit	600,000

SCHEDULE OF PRINCIPAL OFFICERS

<u>Name of Official</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Amount of Of Bond</u>
Cherry Jackson	Mayor	-0-	\$100,000
John T. Neal	Vice Mayor	-0-	100,000
Sarah H. Benson	Alderman	-0-	100,000
Doug Goetsch	City Recorder	\$5,800	100,000

See notes to financial statements.

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

December 12, 2004

Board of Mayor and Aldermen
Town of Thompson's Station, Tennessee
Thompson's Station, Tennessee

We have audited the financial statements of the governmental activities of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 2004, which collectively comprise the Town of Thompson's Station, Tennessee's basic financial statements and have issued our report thereon dated December 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Thompson's Station, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item 1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Thompson's Station, Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation or the internal control over financial reporting that, in our judgment, could adversely affect Town of Thompson's Station, Tennessee's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely

period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

Parsons and Associates

Parsons and Associates

TOWN OF THOMPSON'S STATION, TENNESSEE
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2004

1. **FINDING:** Finding No. 1 is a disclosed but uncorrected finding from prior years. The Town of Thompson's Station has one employee who serves as City Recorder. The employee performs the duties of City Recorder and does all the recording and bookkeeping functions. The lack of personnel does not permit the separation of functions and does not provide a check on the recording of transactions. The lack of a cross-check could permit errors to remain undetected for some time.

RECOMMENDATION: We recommend that members of the Board of Mayor and Aldermen assign various members to supervising and/or cross checking reports and records on a regular periodic basis.

RESPONSE: The Board of Mayor and Aldermen are aware that the lack of personnel creates a lack of desired internal control. However, the cost of maintaining sufficient personnel for such desired controls would be prohibitive at this time and the benefits derived from such costs could not be justified.

Reports, in some detail, are provided for the Board's use on a regular basis and virtually all the revenue is received in the form of checks from other political subdivisions. All checks written require two signatures.