

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 2011

**Report
of
Examination**

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

November 25, 2011

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the business-type activities of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Thompson's Station, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the business-type activities of the Town of Thompson's Station, Tennessee, as of June 30, 2011, and the respective changes in financial position and cash flows, if applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2011, on our consideration of the Town of Thompson's Station, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

The management's discussion and analysis on pages 3 through 8 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 an opinion on the financial statements that collectively comprise the Town of Thompson's, Tennessee basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Parsons and Associates

Parsons and Associates

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011. Readers are encouraged to consider information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,436,159 (net assets). Of this amount, \$2,159,725 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 \$506,225.
3. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$1,952,107, a decrease of \$168,048 from the previous year. Approximately 91% of this total amount, or \$1,788,559 is available for spending at the government's discretion (unreserved fund balances).
4. At June 30, 2011 unreserved fund balance for the General Fund, the only government fund of the Town, was \$1,788,559 or 133% 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
JUNE 30, 2011

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, parks, and highways and streets. The business-type activity of the town includes wastewater services.

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 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 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. The Town of Thompson's Station maintains a wastewater fund as an enterprise or proprietary fund. 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. The proprietary fund financial statements provide separate information of the wastewater activity, which is also considered a major fund of the Town.

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, 2011**

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 17-19.

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 \$13,436,159 at the end of the most recent fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$2,855,455	\$2,109,979	\$ 153,184	\$ 404,798	\$ 3,008,639	\$ 2,514,777
Capital assets	881,074	862,822	10,453,086	10,220,157	11,334,160	11,082,979
Total assets	<u>3,736,529</u>	<u>2,972,801</u>	<u>10,606,270</u>	<u>10,624,955</u>	<u>14,342,799</u>	<u>13,597,756</u>
Long-term liabilities outstanding	0	0	0	0	0	0
Other liabilities	735,300	157,872	677,565	3,725	1,412,865	161,597
Total liabilities	<u>735,300</u>	<u>157,872</u>	<u>677,565</u>	<u>3,725</u>	<u>1,412,865</u>	<u>161,597</u>
Net assets:						
Invested in capital assets	881,074	862,822	10,453,086	10,220,157	11,334,160	11,082,979
Restricted for roads and streets	193,455	163,548	0	0	193,455	163,548
Unrestricted	1,926,700	1,788,559	(524,381)	401,073	1,402,319	2,189,632
Total net assets	<u>\$3,001,229</u>	<u>\$2,814,929</u>	<u>\$ 9,928,705</u>	<u>\$10,621,230</u>	<u>\$12,929,934</u>	<u>\$13,436,159</u>

A significant portion of the Town's net assets, \$11,082,979 or (82%) reflects its investment in capital assets (for example- land, buildings, vehicles, equipment and infrastructure), 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. The Town of Thompson's Station's investment in capital assets is reported net of related debt and the town has no outstanding debt. It should be noted that the resources needed to repay any future debt issues must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At year-end, \$163,548 of the Town's net assets (1%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2,189,632 (16%), 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 positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2011:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Program revenues:						
Charges for service	\$ 84,560	\$ 119,720	\$ 231,819	\$ 244,686	\$ 316,379	\$ 364,406
Operating grants & contributions	49,464	51,551	37,100	24,000	86,564	75,551
Capital grants & contributions	108,177	4,885			108,177	4,888
General revenues:						
Property taxes	88,170	97,543			88,170	97,543
Sales taxes	505,601	545,121			505,601	545,121
Intergovernmental taxes	164,554	194,960			276,430	194,960
Other	149,964	162,305			38,088	162,305
Unrestricted investment earnings	7,603	4,334	299	690	7,902	5,024
Total general revenues	<u>1,158,093</u>	<u>1,180,419</u>	<u>269,218</u>	<u>269,376</u>	<u>1,427,311</u>	<u>1,449,795</u>
Expenses:						
General government	644,097	621,184			644,097	621,184
State Street Aid	39,982	77,760			39,982	77,760
Streets and roads	565,795	5,631			565,795	5,631
Parks	13,051	12,144			13,051	12,144
Wastewater			417,210	414,088	417,210	414,088
Total expenses	<u>1,262,925</u>	<u>716,719</u>	<u>417,210</u>	<u>414,088</u>	<u>1,680,135</u>	<u>1,130,807</u>
Transfer in (out)		(650,000)		650,000		0
Insurance proceeds				187,237		187,237
Change in net assets	(104,832)	(186,300)	(147,992)	692,525	(252,824)	506,225
Net assets, beginning	3,106,061	3,001,229	10,076,697	9,928,705	13,182,758	12,929,934
Net assets, ending	<u>\$ 3,001,229</u>	<u>\$ 2,814,929</u>	<u>\$ 9,928,705</u>	<u>\$ 10,621,230</u>	<u>\$ 12,929,934</u>	<u>\$ 13,436,159</u>

Governmental Activities. Governmental activities decreased the Town of Thompson's Station's net assets by \$186,300. This change is primarily due to increased sales tax receipts but offset by a transfer to Wastewater Fund as contribution-in-aid-of-construction.

Business-Type Activities. Business-type activities increased the Town's net assets by \$692,525 primarily due to increased revenue generated from charges for wastewater treatment and contribution-in-aid of construction and insurance proceeds.

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.

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011

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 \$1,952,107, a decrease in comparison with the prior year of \$2,120,155.

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 \$1,788,559. 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 133% of total general fund expenditures. The fund balance decreased \$168,048 as a result of the current fiscal year operations.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the wastewater fund at the end of the year amounted to \$401,073. The wastewater fund had an increase in net assets for the year of \$692,525. Factors concerning the financial position of this fund have already been addressed in the discussion of the Town's business-type activity.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget are listed below:

1. Increase in budgeted impact fees by \$16,000.
2. Increase in building permits of \$22,000.
3. Decrease in budgeted streets and roads repairs and maintenance by \$40,000.

Capital Asset and Debt Administration

Capital assets. The Town of Thompson's Station's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$11,082,979 (net of depreciation). This investment includes land, buildings, improvements, machinery, equipment and infrastructure.

Major capital asset events during the current fiscal year included:

1. Additions to infrastructure \$10,149.

Additional information on the Town of Thompson's Station's capital assets can be found in Note 4 on pages 23-24.

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011

TOWN OF THOMPSON'S STATION'S
CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 350,165	\$ 350,165	\$ 2,512,000	\$ 2,512,000	\$ 2,862,165	\$ 2,862,165
Construction in progress	92,937	94,313			92,937	94,313
Infrastructure	83,858	83,858			83,858	83,858
Buildings	422,098	422,098	864,943	864,943	1,287,041	1,287,041
Equipment	15,088	23,861	468,163	468,163	483,251	492,024
Vehicles	65,795	65,795			65,795	65,795
Wastewater system			7,358,926	7,358,926	7,358,926	7,358,926
Total Capital Assets	<u>\$ 1,029,941</u>	<u>\$ 1,040,090</u>	<u>\$ 11,204,032</u>	<u>\$ 11,204,032</u>	<u>\$ 12,233,973</u>	<u>\$ 12,244,122</u>

Long-term Debt. At the end of the fiscal year, the Town of Thompson's Station's total debt was \$0.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Town of Thompson's Station's budget for the 2011-12 fiscal year.

1. The dramatic economic slowdown during 2011 made the budget projection for the coming year very difficult. A conservative view of new development was made for the purpose revenue projection.
2. Expenditures were budgeted at a rate to maintain citizen services at the same level as in prior years.

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.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 1,837,013	\$ 374,691	\$ 2,211,704
Taxes receivable - property tax	97,906		97,906
Accounts receivable		28,598	28,598
Due from (to) other funds	(1,509)	1,509	0
Due from other governments	176,569		176,569
Capital assets:			
Assets not being depreciated: land	350,165	2,512,000	2,862,165
construction in progress	94,313		94,313
Other capital assets, net of depreciation	418,344	7,708,157	8,126,501
<u>Total</u>	<u>\$ 2,972,801</u>	<u>\$ 10,624,955</u>	<u>\$ 13,597,756</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 9,931	\$ 3,725	\$ 13,656
Deposits from developers	60,000		60,000
Deferred revenue - taxes	87,941		87,941
<u>Total Liabilities</u>	<u>157,872</u>	<u>3,725</u>	<u>161,597</u>
 <u>NET ASSETS</u>			
Invested in capital assets	862,822	10,220,157	11,082,979
Restricted for: State Street Aid	163,548		163,548
Unrestricted	1,788,559	401,073	2,189,632
<u>Total Net Assets</u>	<u>2,814,929</u>	<u>10,621,230</u>	<u>13,436,159</u>
<u>Total</u>	<u>\$ 2,972,801</u>	<u>\$ 10,624,955</u>	<u>\$ 13,597,756</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Expenses	Charges for Services	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>			<u>Operating Grants and Contributions</u> <u>Capital Grants and Contributions</u>	<u>Governmental Activities</u> <u>Business-type Activities</u> <u>Total</u>
Governmental Activities				
General	\$ 619,808	\$ 115,141	\$	\$ (504,667)
State Street Aid	77,760		51,551	(26,209)
Streets and roads	7,007		4,885	(2,122)
Parks	12,144	4,579		(7,565)
Total Governmental Activities	<u>716,719</u>	<u>119,720</u>	<u>51,551</u>	<u>(540,563)</u>
Business-type Activities				
Wastewater	<u>414,088</u>	<u>244,686</u>	<u>24,000</u>	<u>(145,402)</u>
Total Primary Government	<u>\$ 1,130,807</u>	<u>\$ 364,406</u>	<u>\$ 51,551</u>	<u>(145,402)</u>
General Revenues				
Property taxes				97,543
Sales taxes				662,141
Beer and liquor tax				92,182
State income tax				56,851
Payment in lieu of taxes				19,390
Business and privilege taxes				54,392
Franchise tax				14,443
Unrestricted investment earnings				690
Transfers (out) in				650,000
Insurance proceeds				187,237
Other				2,987
Total general revenues and transfers				<u>1,192,190</u>
Changes in net assets				
Net assets - July 1, 2010				506,225
Net assets - June 30, 2011				<u>12,928,934</u>
				<u>\$ 10,621,230</u>
				<u>\$ 13,436,159</u>

See notes to financial statements

TOWN OF THOMPSON'S STATION, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash	\$ 1,837,013	\$ 1,837,013
Taxes receivable - property tax	97,906	97,906
Due from other governments	<u>176,569</u>	<u>176,569</u>
<u>Total</u>	<u>\$ 2,111,488</u>	<u>\$ 2,111,488</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 9,931	\$ 9,931
Deposits from developers	60,000	60,000
Due to other funds	1,509	1,509
Deferred revenue - taxes	<u>87,941</u>	<u>87,941</u>
<u>Total Liabilities</u>	<u>159,381</u>	<u>159,381</u>
 <u>FUND BALANCES</u>		
Restricted for State Street Aid	163,548	163,548
Unassigned	<u>1,788,559</u>	<u>1,788,559</u>
<u>Total Fund Balances</u>	<u>1,952,107</u>	<u>1,952,107</u>
 <u>Total</u>	 <u>\$ 2,111,488</u>	

Amounts reported for governmental activities in the Statement of Activities 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 \$177,268

862,822

Net assets of governmental activities

\$ 2,814,929

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

<u>REVENUES</u>	
Taxes	\$ 805,043
Licenses, permits and fees	119,720
Intergovernmental	251,396
Other	<u>4,260</u>
<u>Total Revenues</u>	<u>1,180,419</u>
 <u>Expenditures</u>	
Current:	
General government	603,652
State Street Aid	77,760
Streets and roads	4,911
Parks	<u>12,144</u>
<u>Total Expenditures</u>	<u>698,467</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	481,952
Other Financial Sources (Uses)	
Transfer (out) to Wastewater Fund-Contributions-in-aid- of-construction	<u>(650,000)</u>
Increase (decrease) in Fund Balances	(168,048)
Fund Balance - July 1, 2010	2,120,155
Fund Balance - June 30, 2011	\$ <u>1,952,107</u>

See notes to financial statement.

TOWN OF THOMPSON'S STATION, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENT FUNDS TO THE STATEMENT
OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net changes in fund balance - total government funds	\$(168,048)
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:	
Acquisition of capital assets	10,149
Depreciation expense	(28,401)
Change in net assets of governmental activities	\$(<u>186,300</u>)

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WASTEWATER
JUNE 30, 2011

ASSETS

<u>Current Assets</u>	
Cash	\$ 374,691
Accounts receivable	28,598
Due from other funds	<u>1,509</u>
<u>Total Current Assets</u>	<u>404,798</u>
 <u>Capital Assets</u>	
Wastewater system, net of accumulated depreciation	<u>10,220,157</u>
<u>Total Assets</u>	<u>\$ 10,624,955</u>

LIABILITIES

<u>Current Liabilities</u>	
Accounts payable	\$ <u>3,725</u>
<u>Total Current Liabilities</u>	<u>3,725</u>

NET ASSETS

Invested in Capital Assets	10,220,157
Unrestricted	<u>401,073</u>
<u>Total Net Assets</u>	<u>10,621,230</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 10,624,955</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND - WASTEWATER
YEAR ENDED JUNE 30, 2011

<u>Revenue</u>	
Charges to customers - wastewater	\$ 240,994
Penalties	3,692
<u>Total Revenue</u>	<u>244,686</u>
 <u>Operating Expenses</u>	
<u>Supply and Operations</u>	
Salaries	47,985
Payroll taxes	3,881
Repairs and maintenance	58,740
Permits and licenses	5,190
Supplies	2,442
Testing	818
Utilities	26,332
Professional fees	18,337
<u>Total Supply and Operations</u>	<u>163,725</u>
 <u>Administrative and General</u>	
Professional fees	1,500
Insurance	15,914
Bank fees	20
<u>Total Administrative and General</u>	<u>17,434</u>
 <u>Depreciation</u>	 <u>232,929</u>
 <u>Total Operating Expenses</u>	 <u>414,088</u>
 <u>Operating Income (Loss)</u>	 <u>(169,402)</u>
 <u>Non-Operating Income</u>	
Interest income	690
Tap fees	24,000
Insurance recovery proceeds	187,237
<u>Total Non-operating Income</u>	<u>211,927</u>
 <u>Transfer from General Fund (Contribution-in-aid-of-construction)</u>	 <u>650,000</u>
 <u>Net Income</u>	 <u>692,525</u>
 Net Assets - July 1, 2010	 9,928,705
 Net Assets - June 30, 2011	 \$ <u>10,621,230</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WASTEWATER
YEAR ENDED JUNE 30, 2011

<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 247,241
Salaries	(47,985)
Payments to suppliers for goods and services	(129,979)
Net cash provided (used) by operating activities	<u>69,277</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from tap fees	24,000
Insurance recovery proceeds	187,237
(Decrease) in interfund payable	(678,544)
Transfer from General Fund-Contributions-in-aid-of construction	650,000
Net cash provided (used) for capital and related financing activities	<u>182,693</u>
<u>Cash Flows from Investing Activities</u>	
Interest income from cash and cash equivalents	<u>690</u>
Net cash provided (used) by investing activities	<u>690</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	252,660
Cash and cash equivalents - July 1, 2010	122,031
Cash and cash equivalents - June 30, 2011	\$ <u>374,691</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$(169,402)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: depreciation	232,929
Changes in assets and liabilities:	
Decrease (increase) in: receivables	2,555
Increase (decrease) in: accounts payable	<u>3,195</u>
Net cash provided by operating activities	\$ <u>69,277</u>

Non-cash Financing Activities
During the year ended June 30, 2011, developers donated no sewer systems to the Town of Thompson's Station, Tennessee Wastewater System.

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>RESOURCES (Inflows)</u>			
<u>Taxes</u>			
Property	\$ 75,000	\$ 75,000	\$ 97,543
Franchise	14,000	14,000	14,443
Wholesale beer	85,000	85,000	92,182
Local sales tax - Trustee	500,000	500,000	545,121
Business tax	40,000	35,000	41,790
Privilege tax	0	6,500	12,602
Interest and penalty revenue	0	0	1,362
<u>Total Taxes</u>	<u>714,000</u>	<u>715,500</u>	<u>805,043</u>
<u>Licenses, Permits and Fees</u>			
Beer permits	0	1,400	1,706
Building permits	0	22,000	55,006
Review fees	21,000	5,000	1,768
Impact fees	15,000	31,000	56,397
Rental - park	5,000	2,000	4,579
Administrative fees	0	400	210
<u>Total Licenses, Permits and Fees</u>	<u>41,000</u>	<u>61,800</u>	<u>119,720</u>
<u>Intergovernmental Revenue</u>			
Payments in lieu of taxes	12,000	12,000	19,390
State of Tennessee - sales tax	105,000	105,000	117,020
Mixed drink taxes	0	750	800
State of Tennessee - beer tax	500	450	899
State of Tennessee - street and transportation	3,500	3,500	3,698
State of Tennessee - income tax	29,000	33,000	56,851
State of Tennessee - gasoline and fuel tax	40,000	40,000	47,853
Safe routes to schools	150,000	150,000	4,885
<u>Total Intergovernmental Revenue</u>	<u>340,000</u>	<u>344,700</u>	<u>251,396</u>
<u>Other Income</u>			
Interest	3,000	3,000	2,972
Other	2,000	100	1,288
<u>Total Other Income</u>	<u>5,000</u>	<u>3,100</u>	<u>4,260</u>
<u>Total Revenues</u>	<u>1,100,000</u>	<u>1,125,100</u>	<u>1,180,419</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>			
<u>General Government</u>			
Office supplies	\$ 10,000	\$ 8,000	\$ 4,927
Postage, freight and express charges	2,000	2,000	1,660
Printing, forms and stationery	3,000	3,000	3,433
Professional fees - legal	125,000	115,000	81,639
Vehicle fuel	10,000	10,000	9,964
Vehicle repairs	1,000	1,000	1,577
Donations	40,000	55,000	0
Bank charges	100	100	10
Salaries and wages	325,000	332,000	331,792
Payroll taxes	30,000	30,600	27,207
Publication of legal notices	1,500	1,500	571
Board member expenses	500	500	23
Election officials	0	7,000	6,689
Utilities	11,000	12,500	9,971
Memberships and subscriptions	5,000	5,000	3,947
Insurance	100,000	90,900	88,277
Telephone expense	5,000	5,000	5,168
Repairs and maintenance - building	25,000	25,000	6,367
Animal Control services	1,100	1,100	1,080
Trustee commission	2,800	2,800	2,682
Other expenses	5,000	5,000	1,981
Fixed assets acquired	50,000	20,000	8,773
Recording and filing	500	500	32
Travel	1,500	1,500	1,762
Educational expense	5,000	5,000	4,120
<u>Total General Government</u>	<u>760,000</u>	<u>740,000</u>	<u>603,652</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2011

0.*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
0.26 +			
48.85 +			
49.11 +			
<u>EXPENDITURES (Outflows)</u>			
121.44 +			
777.60 +	\$ <u>190,000</u>	\$ <u>230,000</u>	\$ <u>77,760</u>
6,036.52 +			
6,984.67 -			
0.00 *			
<u>Maintenance</u>	<u>130,000</u>	<u>90,000</u>	<u>26</u>
<u>schools</u>	<u>150,000</u>	<u>150,000</u>	<u>4,885</u>
<u>and Roads</u>	<u>280,000</u>	<u>240,000</u>	<u>4,911</u>
<u>Parks</u>			
Repairs and supplies	<u>20,000</u>	<u>20,000</u>	<u>12,144</u>
<u>Total Parks</u>			
<u>Total Expenditures before Transfers</u>	<u>1,250,000</u>	<u>1,230,000</u>	<u>698,467</u>
Transfers (out) to Wastewater Fund	(650,000)	(650,000)	(650,000)
<u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>	(800,000)	(754,900)	(168,048)
Budgetary Fund Equity - July 1, 2010	2,120,155	2,120,155	2,120,155
Budgetary Fund Equity - June 30, 2011	\$ <u>1,320,155</u>	\$ <u>1,365,255</u>	\$ <u>1,952,107</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified basis of accounting. Under this method revenues are recognized when measurable and available. On this basis, the Town deems revenue to be available if the revenues are collectible within 60 days after the end of the close of the fiscal year.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Property taxes, sales taxes, licenses and interest associated with the current period are considered to be susceptible to accrual. Some expenditures (debt service, compensated absences, and claims and judgments expenditures) are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

The financial transactions of the Town are recorded in the general fund. The fund provides for a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

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

The financial statements of the Town are prepared in accordance with generally accepted accounting principles. The Town's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Town does not apply FASB pronouncements or APB opinion issued after November 30, 1989. The Town reports the major governmental funds.

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.

GASB 54 divides fund balances into five classifications below:

Nonspendable - this classification includes amounts that due to their nature cannot be spent, i.e., inventory, prepaid expenses.

Restricted - amounts are classified as restricted when creditors, grantors, contributors, laws and regulations of other governments impose external, enforceable, legal restrictions, i.e., grants gasoline tax restricted for street purposes.

Committed - committed funds arise from self-imposed constraints put on use of funds by the government's highest level of authority and made by the highest level of formal action and must be made before the end of the fiscal year.

Assigned - amount arises from intentions to use funds for a specific purpose. This action may be taken by the highest level of authority, a committee, a municipal official. Any delegation of authority should be documented in the minutes.

Unassigned - represents funds which are left after funds earmarked for specific purposes have been classified.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

revenues are charges to customers for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Basis of Accounting

The Town's budgetary process accounts for transactions using the modified-accrual basis of accounting, which is consistent with the basis used in the governmental fund statements. The government-wide statements are presented using accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and includes amounts in demand deposits, interest bearing accounts and short-term investments maturing within three months or less.

Investments consist of short-term investments including certificates of deposits. These investments are reported at cost, which approximates market value.

Receivables

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

Inventories

Inventories of materials and supplies of all funds of the Town were deemed to be immaterial and were not inventoried or reflected in the records. Inventory items are recorded as expenditures when purchased.

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 lives of the assets range from 5 to 40 years.

Compensated Absences

The Town has no liability for unpaid, accumulated annual leave and sick leave balances.

TOWN OF THOMPSON'S STATION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Fund Equity

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.

Estimates

Estimates and assumptions are used in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and reported revenue and expenses. Actual results could differ from these reported amounts.

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. Delinquent taxes of 2008 and older have been filed with the Williamson County Clerk and Master.

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

Year Of Levy	Tax Rate	Assessment	Levy	Balance 6-30-10	Taxes Levied	Collections	Balance 6-30-11
2000	.18	18,196,665	32,754	\$ 45	\$	\$	\$ 45
2001	.15	21,708,577	32,563	10			10
2002	.15	22,430,667	33,646	3			3
2003	.15	23,805,330	35,708	29			29
2004	.15	24,379,331	36,141	18			18
2005	.15	29,179,400	43,679	0			0
2006	.103	40,981,000	42,210	26			26
2007	.103	50,955,696	51,000	116		78	38
2008	.103	71,312,942	77,258	2,532		2,313	219
2009	.103	83,599,533	87,775	7,370		4,657	2,713
2010	.103	89,326,214	92,006	92,006	228	86,252	5,982
2011	.103	85,407,960	87,941		88,823		88,823
				\$ 102,155	\$ 89,051	\$ 93,300	\$ 97,906

NOTE 3 - CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash \$2,211,704

State statutes authorize the Town to invest funds in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Cash - At June 30, 2011, total demand deposits and certificates of deposit for the Town were insured and/or collateralized in one of the following ways. Deposits and certificates of deposits are insured up to \$250,000 through the Federal Deposit Insurance Corporation (FDIC). All deposits and certificates were held in financial institutions, which are members of the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of the pool is not sufficient to cover a loss. The Town's deposits in financial institutions were entirely insured or collateralized at June 30, 2011.

NOTE 4 - WASTEWATER RATES AND CUSTOMERS

The active number of wastewater customers at June 30, 2011 was 220.

The following monthly service rates for residential and commercial customers were in effect at June 30, 2011.

Minimum bill	16.71 includes 1,000 gallons
Wastewater rates after minimum bill	6.45 per thousand gallons for 1,001-8,000 gallons
	7.65 per thousand gallons for 8,001-20,000 gallons
	9.65 per thousand gallons for 20,001 gallons and greater
Residential accounts are limited to a maximum of \$55.00 per month	
Non-residential accounts have no maximum limit.	

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, 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
Construction in progress	<u>92,937</u>	<u>1,376</u>		<u>94,313</u>
Total assets not being depreciated	<u>443,102</u>	<u>1,376</u>		<u>444,478</u>
<u>Capital assets being depreciated</u>				
Infrastructure	83,858			83,858
Building and improvements	422,098			422,098
Furniture and equipment	15,088	8,773		23,861
Vehicles	<u>65,795</u>			<u>65,795</u>
Total assets being depreciated	<u>586,839</u>	<u>8,773</u>		<u>595,612</u>
Total capital assets	<u>1,029,941</u>	<u>10,149</u>		<u>1,040,090</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	(4,193)	(2,096)		(6,289)
Buildings and improvements	(93,308)	(10,552)		(103,860)
Furniture and equipment	(5,801)	(2,594)		(8,395)
Vehicles	<u>(45,565)</u>	<u>(13,159)</u>		<u>(58,724)</u>
Total accumulated depreciation	<u>(148,867)</u>	<u>(28,401)</u>		<u>(177,268)</u>
Governmental activities capital assets, net	<u>\$ 881,074</u>	<u>\$ (18,252)</u>		<u>\$ 862,822</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Depreciation expense was charged to functions/programs at June 30, 2010, as follows:

General government	\$ 26,305		
Streets and roads	<u>2,096</u>		
	\$ <u>28,401</u>		
Business-Type Activities - Wastewater			
Capital assets not being depreciated			
Land	\$ <u>2,512,000</u>	\$	\$ <u>2,512,000</u>
	<u>2,512,000</u>		<u>2,512,000</u>
Capital assets being depreciated			
Wastewater system	7,358,926		7,358,926
Building	864,943		864,943
Machinery and equipment	<u>468,163</u>		<u>468,163</u>
Total assets being depreciated	<u>8,692,032</u>		<u>8,692,032</u>
Total capital assets	<u>11,204,032</u>		<u>11,204,032</u>
Less accumulated depreciation for:			
Wastewater system	(604,100)	(184,675)	(788,775)
Building	(60,402)	(22,121)	(82,523)
Machinery and equipment	<u>(86,444)</u>	<u>(26,133)</u>	<u>(112,577)</u>
Total accumulated depreciation	<u>(750,946)</u>	<u>(232,929)</u>	<u>(983,875)</u>
Business-type Activities Capital Assets, net	<u>\$ 10,453,086</u>	\$ <u>(232,929)</u>	\$ <u>10,220,157</u>

NOTE 6 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to, destruction and/or theft of assets, errors, and omissions, injuries to employees, and natural disasters. The Town maintains insurance coverage through the Tennessee Municipal League Risk Management Pool, covering each of those risk of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The Town pays a premium, receives coverage, and can make claims against the coverage. The Town meets the TML's guidelines and complies with its rules and regulations, including loss control requirements as well as its underwriting standards. Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. Management of the Town believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three years.

The Town's management and their attorneys are not aware of any pending or threatened actions which would have a material adverse effect on the Town's accompanying financial statements.

NOTE 7 - INTERFUND BALANCES AND ACTIVITY

Balances due from/to other funds at June 30, 2011, consist of the following: \$1,509 due from General Fund to Wastewater Fund representing utility services. The original loan amount was \$650,000 to assist in paying for the completion of the wastewater pump station and line extensions. In November 2010, the Board determined it was in the best interests of the Town to contribute \$650,000 of these advances to contributions-in-aid-of-construction.

TOWN OF THOMPSON'S STATION, TENNESSEE
JUNE 30, 2011

SCHEDULE OF PRINCIPAL OFFICERS

<u>Name of Official</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Amount of Of Bond</u>
Corey Napier	Mayor	-0-	\$100,000
Ron Barrett	Alderman	-0-	100,000
Sarah H. Benson	Alderman	-0-	100,000
Nina Cooper	Alderman	-0-	100,000
Brinton Davis	Alderman	-0-	100,000
Greg Langeliers	Town Administrator	\$ 75,465	100,000
Doug Goetsch	Town Recorder	\$ 61,091	100,000

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Program Title	Department of Transportation
Project	Federal Project SRSTS-9400(2)
Balance - July 1, 2010	\$ 0
Receipts	4,885
Expenditures	4,885
Balance - June 30, 2011	0

Note - Basis of Presentation:

The accompanying schedule of federal awards includes the federal grant activity of the Town of Thompson's Station, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Therefore, the amount in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

PARSONS AND ASSOCIATES

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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

November 25, 2011

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, business-type activities and each major fund of Town of Thompson's Station, Tennessee as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 25, 2011. 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.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our 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. We did not

identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies in internal control over financial reporting (Finding 2006-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Aldermen, management, others within the entity and federal and state awarding agencies and pass-through entities 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 REPOSES
JUNE 30, 2011

1. FINDING:

Finding No. 2006-1 is a disclosed but uncorrected finding from prior years. The Town of Thompson's Station has three administrative employees. One employee performs the duties of Town 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.