

**TOWN OF THOMPSON'S STATION, TENNESSEE**

**JUNE 30, 2014**

**Report  
of  
Examination**

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**TOWN OF THOMPSON'S STATION, TENNESSEE  
DIRECTORY OF OFFICIALS  
(unaudited)**

<b><u>Title</u></b>	<b><u>Name of Official</u></b>
<b>Mayor</b>	<b>Corey Napier</b>
<b>Alderman</b>	<b>Brandon Bell</b>
<b>Alderman</b>	<b>Sarah H. Benson</b>
<b>Alderman</b>	<b>Graham Shepard</b>
<b>Alderman</b>	<b>Brinton Davis</b>
<b>Town Administrator</b>	<b>Joe Cosentini</b>
<b>Town Finance Director</b>	<b>Doug Goetsch</b>
<b>Town Recorder</b>	<b>Leah Rainey</b>

**PARSONS AND ASSOCIATES**

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**CERTIFIED PUBLIC ACCOUNTANTS**  
**TENNESSEE SOCIETY OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT**

February 12, 2015

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

**Report on the Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2014, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparisons for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 – 8) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Thompson's Station, Tennessee's basic financial statements. The directory of officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Thompson's Station, Tennessee's internal control over financial reporting and compliance.

*Parsons and Associates*

Parsons and Associates

**TOWN OF THOMPSON'S STATION, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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, 2014. 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 \$17,074,669 (net position). Of this amount, \$4,730,353 is considered unassigned funds and may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net position increased by \$1,221,286.
3. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$4,085,722, a decrease of \$(320,161) for the year. Approximately 99% of this total amount, or \$4,085,496 is available for spending at the government's discretion (unassigned fund balances).
4. At June 30, 2014 unassigned fund balance for the General Fund, the only government fund of the Town, was \$4,085,496 or 137% 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 position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 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

**TOWN OF THOMPSON'S STATION, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The original budget and final budget appears on pages 16 - 18.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position 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 \$17,074,669 at the end of the most recent fiscal year.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$5,359,206	\$3,933,922	\$ 840,915	\$ 459,221	\$ 6,200,121	\$ 4,393,143
Capital assets	<u>2,372,454</u>	<u>1,134,514</u>	<u>12,115,375</u>	<u>11,126,119</u>	<u>14,487,829</u>	<u>12,260,633</u>
Total assets	<u>\$7,731,660</u>	<u>\$5,068,436</u>	<u>\$12,956,290</u>	<u>\$11,585,340</u>	<u>\$20,687,950</u>	<u>\$16,653,776</u>
Long-term liabilities outstanding	\$1,037,700	\$	\$ 1,268,518	\$ 500,000	\$ 2,306,218	\$ 500,000
Other liabilities	<u>944,340</u>	<u>236,595</u>	<u>362,723</u>	<u>63,798</u>	<u>1,307,063</u>	<u>300,393</u>
Total liabilities	<u>1,982,040</u>	<u>236,595</u>	<u>1,631,241</u>	<u>563,798</u>	<u>3,613,281</u>	<u>800,393</u>
Net assets:						
Nonspendable	444,444	500,000			444,444	500,000
Invested in capital assets	1,219,454	1,134,514	10,680,192	11,126,119	11,899,646	12,260,633
Restricted for roads and streets	226	72,288			226	72,288
Unrestricted	<u>4,085,496</u>	<u>3,125,039</u>	<u>644,857</u>	<u>( 104,577)</u>	<u>4,730,353</u>	<u>3,020,462</u>
Total net assets	<u>\$5,749,620</u>	<u>\$4,831,841</u>	<u>\$11,325,049</u>	<u>\$11,021,542</u>	<u>\$17,074,669</u>	<u>\$15,853,383</u>

A significant portion of the Town's net position, \$11,899,646 or (70%) 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. 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.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

At year-end, \$226 of the Town's net position (1%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,730,353 (28%), may be used to meet the government's ongoing obligations to citizens and creditors. Nonspendable funds are represented by the \$444,444 Wastewater advance and will become unrestricted as payments are made.

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 position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2014:

**TOWN OF THOMPSON'S STATION'S  
CHANGE IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Program revenues:						
Charges for service	\$ 54,659	\$ 49,543	\$ 431,849	\$ 332,643	\$ 486,508	\$ 382,186
Operating grants & contributions	62,387	60,966			62,387	60,966
Capital grants & contributions			588,592	256,700	588,592	256,700
General revenues:						
Property taxes	121,790	87,579			121,790	87,579
Sales taxes	821,620	799,953			821,620	799,953
Intergovernmental taxes	477,708	282,556			477,708	282,556
Other	1,104,872	807,430			1,104,872	807,430
Unrestricted investment earnings	17,326	11,662	381	684	17,707	12,346
Total general revenues	<u>2,660,362</u>	<u>2,099,689</u>	<u>1,020,822</u>	<u>590,027</u>	<u>3,681,184</u>	<u>2,689,716</u>
Expenses:						
General government	1,074,295	738,003			1,074,295	738,003
State Street Aid	129,957	148,400			129,957	148,400
Streets and roads	454,322	32,791			454,322	32,791
Parks	67,579	64,586			67,579	64,586
Debt service	16,430				16,430	
Wastewater			717,315	517,978	717,315	517,978
Total expenses	<u>1,742,583</u>	<u>983,780</u>	<u>717,315</u>	<u>517,978</u>	<u>2,459,898</u>	<u>1,501,758</u>
Change in net position	917,779	1,115,909	303,507	72,049	1,221,286	1,187,958
Net position, beginning	4,831,841	3,715,932	11,021,542	10,949,493	15,853,383	14,665,425
Net position, ending	<u>\$5,749,620</u>	<u>\$4,831,841</u>	<u>\$11,325,049</u>	<u>\$11,021,542</u>	<u>\$17,074,669</u>	<u>\$15,853,383</u>

**Governmental Activities.** Governmental activities increased the Town of Thompson's Station's net position by \$917,779. This change is primarily due to increased sales tax receipts and impact fees.

**Business-Type Activities.** Business-type activities increased the Town's net position by \$303,507 primarily due to increased revenue generated from charges for wastewater treatment.

**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'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**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 \$4,085,722, an increase in comparison with the prior year of \$3,197,327.

The general fund is the chief operating fund of the Town of Thompson's Station. At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,085,496. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 137% of total general fund expenditures. The fund balance decreased \$(320,161) 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 position of the wastewater fund at the end of the year amounted to \$644,857. The wastewater fund had an increase in net position for the year of \$303,507. 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 budget and actual are listed below:

1. Actual over budgeted impact fees by \$102,662.
2. Actual over budgeted sales tax by \$81,620.
3. Actual over budgeted building permits by \$65,544.

**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, 2014 amounted to \$14,487,829 (net of depreciation). This investment includes land, buildings, improvements, machinery, equipment and infrastructure.

Major capital asset events during the current fiscal year included improvements to wastewater system \$1,255,211.

Additional information on the Town of Thompson's Station's capital assets can be found in Note 5.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$1,709,037	\$ 554,225	\$ 2,512,000	\$ 2,512,000	\$ 4,221,037	\$ 3,066,225
Infrastructure	216,416	216,416			216,416	216,416
Buildings	584,200	476,940	880,550	864,943	1,464,750	1,341,883
Equipment	41,820	41,820	490,354	490,354	532,174	532,174
Vehicles	65,795	65,795			65,795	65,795
Wastewater system			9,951,977	8,712,373	9,951,977	8,712,373
<b>Total Capital Assets</b>	<b><u>\$2,617,268</u></b>	<b><u>\$1,355,196</u></b>	<b><u>\$13,834,881</u></b>	<b><u>\$12,579,670</u></b>	<b><u>\$16,452,149</u></b>	<b><u>\$13,934,866</u></b>

**TOWN OF THOMPSON'S STATION, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Long-term Debt.** At the end of the fiscal year, the Town of Thompson's Station's total debt was \$2,588,184 and is set forth in detail in Note 9 on pages 24-25.

**Economic Factors and Next Year's Budgets and Rates**

Despite improving economic conditions, a conservative approach was used in preparing the Town of Thompson's Station's budget for the 2014-15 fiscal year.

1. Despite improving economic conditions, a conservative approach was taken in revenue projections.
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 POSITION**  
**JUNE 30, 2014**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Cash	\$4,354,204	\$ 757,796	\$ 5,112,000
Taxes receivable – property tax	134,425		134,425
Accounts receivable		52,786	52,786
Due from (to) other funds	( 30,333)	30,333	0
Due from other governments	456,466		456,466
Loan to enterprise fund	444,444		444,444
Capital assets:			
Assets not being depreciated: land	1,709,037	2,512,000	4,221,037
Other capital assets, net of depreciation	663,417	9,603,375	10,266,792
<u>Total</u>	<u>\$7,731,660</u>	<u>\$12,956,290</u>	<u>\$20,687,950</u>
 <u>LIABILITIES</u>  			
Accounts payable	\$ 5,758	\$ 187,637	\$ 193,395
Deposits from developers	536,500		536,500
Payroll taxes payable	3,355		3,355
Accrued interest payable	( 7,222)	8,420	1,198
Accrued vacation compensation	31,310		31,310
Due to other governments	126,558		126,558
Long-term liabilities			
Due within one year	115,300	166,666	281,966
Due beyond one year	<u>1,037,700</u>	<u>1,268,518</u>	<u>2,306,218</u>
<u>Total Liabilities</u>	<u>1,849,259</u>	<u>1,631,241</u>	<u>3,480,500</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>  			
Unavailable revenues - taxes	<u>132,781</u>		<u>132,781</u>
 <u>NET POSITION</u>  			
Nonspendable: Wastewater Loan	444,444		444,444
Invested in capital assets	1,219,454	10,680,192	11,899,646
Restricted for: State Street Aid	226		226
Unrestricted	<u>4,085,496</u>	<u>644,857</u>	<u>4,730,353</u>
<u>Total Net Position</u>	<u>5,749,620</u>	<u>11,325,049</u>	<u>17,074,669</u>
<u>Total</u>	<u>\$7,731,660</u>	<u>\$12,956,290</u>	<u>\$20,687,950</u>

See accompanying notes and auditor's report.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>			
		<u>Charges for Services</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>
<b>Governmental Activities</b>							
General	\$1,074,285	\$ 49,957	\$ 62,387		\$(1,024,328)		\$(1,024,328)
State Street Aid	129,957				( 67,570)		( 67,570)
Streets and roads	454,322				( 454,322)		( 454,322)
Parks	67,579	4,702			( 62,877)		( 62,877)
Interest on long-term debt	16,430				( 16,430)		( 16,430)
Total Governmental Activities	<u>1,742,573</u>	<u>54,659</u>	<u>62,387</u>		<u>(1,625,527)</u>		<u>(1,625,527)</u>
<b>Business-type Activities</b>							
Wastewater	<u>717,315</u>	<u>1,020,441</u>			<u>\$303,126</u>		<u>303,126</u>
Total Primary Government	<u>\$2,459,888</u>	<u>\$1,075,100</u>	<u>\$62,387</u>		<u>(1,625,527)</u>		<u>(1,322,401)</u>
<b>General Revenues</b>							
Property taxes					121,790		121,790
Sales taxes					821,620		821,620
Beer and liquor tax					103,304		103,304
State income tax					199,839		199,839
Payment in lieu of taxes					24,274		24,274
Business and privilege taxes					128,268		128,268
Franchise tax					22,023		22,023
Unrestricted investment earnings					17,326	381	17,707
Building permits/impact fees					993,206		993,206
Other					111,656		111,656
Total general revenues and transfers					<u>2,543,306</u>	<u>381</u>	<u>2,543,687</u>
Changes in net assets					917,779	303,507	1,221,286
Net position – July 1, 2013					4,831,841	11,021,542	15,853,383
Net position – June 30, 2014					<u>\$5,749,620</u>	<u>\$11,325,049</u>	<u>\$17,074,669</u>

See accompanying notes and auditor's report.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>		
Cash	\$4,354,204	\$4,354,204
Taxes receivable – property tax	134,425	134,425
Due from other governments	456,466	456,466
Accrued interest receivable	7,222	7,222
<u>Total</u>	<u>\$4,952,317</u>	<u>\$4,952,317</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	\$ 5,758	\$ 5,758
Deposits from developers	536,500	536,500
Due to other funds	30,333	30,333
Due to other governments	126,558	126,558
Payroll taxes payable	3,355	3,355
Accrued vacation	31,310	31,310
<u>Total Liabilities</u>	<u>733,814</u>	<u>733,814</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Unavailable revenues - taxes	<u>132,781</u>	<u>132,781</u>
<b><u>FUND BALANCES</u></b>		
Restricted for State Street Aid	226	226
Unassigned	4,085,496	4,085,496
<u>Total Fund Balances</u>	<u>4,085,722</u>	<u>4,085,722</u>
<u>Total</u>	<u>\$4,952,317</u>	<u>4,952,317</u>

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE  
SHEET TO THE STATEMENT OF NET ASSETS**

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 \$244,814	2,372,454
Long-term loan receivable from proprietary Wastewater Fund is not due and payable in the current period and, therefore, is not reported in the governmental funds:	444,444
Long-term liabilities, including capital-outlay notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
General long-term debt	<u>(1,153,000)</u>
Net assets of governmental activities	<u>\$5,749,620</u>

See accompanying notes and auditor's report.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

REVENUES

Taxes	\$1,034,026
Licenses, permits and fees	1,047,865
Intergovernmental	555,782
Other	22,679
<u>Total Revenues</u>	<u>2,660,352</u>

Expenditures

Current:	
General government	2,317,636
State Street Aid	129,957
Streets and roads	448,911
Parks	67,579
Debt Service	16,430
<u>Total Expenditures</u>	<u>2,980,513</u>

Excess of Revenue Over (Under) Expenditures ( 320,161)

Other financing sources (uses)	
Proceeds from Capital Outlay Note	1,153,000
Payment on loan – Wastewater Fund	55,556
Total Other Financing Sources (Uses)	1,208,556

Increase (decrease) in Fund Balance 888,395

Fund Balance – July 1, 2013 3,197,327

Fund Balance – June 30, 2014 \$4,085,722

**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, 2014**

Net changes in fund balance – total government funds \$( 320,161)

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	1,262,072
Depreciation expense	( 24,132)

Change in net assets of governmental activities \$ 917,779

See accompanying notes and auditor's report

**TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND – WASTEWATER  
JUNE 30, 2014**

ASSETS

<u>Current Assets</u>	
Cash	\$ 757,796
Accounts receivable	52,786
Due from other funds	30,333
<u>Total Current Assets</u>	<u>840,915</u>
 <u>Capital Assets</u>	
Wastewater system, net of accumulated depreciation	<u>12,115,375</u>
 <u>Total Assets</u>	 <u>\$12,956,290</u>

LIABILITIES

<u>Current Liabilities</u>	
Accounts payable	\$ 187,637
Accrued interest payable	8,420
Loan payable – current portion	166,666
<u>Total current liabilities</u>	<u>362,723</u>
 <u>Non-current Liabilities (Note 7 and 9)</u>	
Loan payable	<u>1,268,518</u>
<u>Total non-current liabilities</u>	<u>1,268,518</u>
<u>Total Liabilities</u>	<u>1,631,241</u>

NET ASSETS

Invested in Capital Assets	10,680,192
Unrestricted	644,857
<u>Total Net Assets</u>	<u>11,325,049</u>
 <u>Total Liabilities and Net Assets</u>	 <u>\$12,956,290</u>

See accompanying notes and auditor's report.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUND – WASTEWATER  
YEAR ENDED JUNE 30, 2014**

<u>Revenue</u>	
Charges to customers – wastewater	\$ 427,594
Penalties	4,255
<u>Total Revenue</u>	<u>431,849</u>
<u>Operating Expenses</u>	
<u>Supply and Operations</u>	
Salaries	86,840
Payroll taxes	7,001
Repairs and maintenance	42,902
Permits and licenses	8,418
Supplies	8,644
Testing	2,490
Utilities	57,885
Professional fees	189,391
<u>Total Supply and Operations</u>	<u>403,571</u>
<u>Administrative and General</u>	
Professional fees	16,710
Bank fees	370
Insurance	13,308
<u>Total Administrative and General</u>	<u>30,388</u>
<u>Depreciation</u>	<u>265,955</u>
<u>Total Operating Expenses</u>	<u>699,914</u>
<u>Operating Income (Loss)</u>	( 268,065)
<u>Non-Operating Income (Expense)</u>	
Interest expense	( 17,401)
Interest income	381
Tap fees	588,592
<u>Total Non-operating Income</u>	<u>571,572</u>
<u>Net Income</u>	303,507
Net Assets – July 1, 2013	11,021,542
Net Assets – June 30, 2014	<u>\$11,325,049</u>

See accompanying notes and auditor's report.



**TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND – WASTEWATER  
YEAR ENDED JUNE 30, 2014**

<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 401,514
Salaries	( 86,840)
Payments to suppliers for goods and services	<u>( 223,282)</u>
Net cash provided (used) by operating activities	<u>91,392</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from tap fees	588,592
Proceeds from capital outlay note	1,000,000
Purchase of capital assets	(1,255,211)
Payments on loans principal	( 64,815)
Interest paid on loans and capital outlay notes payable	<u>( 8,981)</u>
Net cash provided (used) for capital and related financing activities	<u>259,585</u>
 <u>Cash Flows from Investing Activities</u>	
Interest income from cash and cash equivalents	<u>381</u>
Net cash provided (used) by investing activities	<u>381</u>
 <u>Increase (Decrease) in Cash and Cash Equivalents</u>	 351,358
Cash and cash equivalents – July 1, 2013	406,438
Cash and cash equivalents -- June 30, 2014	<u>\$ 757,796</u>

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

Operating income (loss)	\$(268,065)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: depreciation	265,955
Changes in assets and liabilities:	
Decrease (increase) in: receivables	( 30,335)
Increase (decrease) in: accounts payable	<u>123,837</u>
Net cash provided (used) by operating activities	<u>\$ 91,392</u>
 <u>Non-cash Financing Activities</u>	
During the year ended June 30, 2014 developers donated no sewer systems to the Town of Thompson's Station, Tennessee Wastewater System.	None

See accompanying notes and auditor's report.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – ACTUAL TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	Budget Original/ <u>Final</u>	Actual <u>Amounts</u>
<u>RESOURCES (Inflows)</u>		
<u>Taxes</u>		
Property	\$ 98,000	\$ 121,790
Franchise	24,000	22,023
Wholesale beer	95,000	100,045
Local sales tax – Trustee	600,000	661,477
Privilege tax	30,000	36,057
Business tax	81,000	92,211
Interest and penalty revenue	0	423
<u>Total Taxes</u>	<u>928,000</u>	<u>1,034,026</u>
<u>Licenses, Permits and Fees</u>		
Beer permits	400	500
Building permits	325,000	390,544
Review fees	30,000	49,457
Impact fees	500,000	602,662
Rental - park	4,000	4,702
<u>Total Licenses, Permits and Fees</u>	<u>859,400</u>	<u>1,047,865</u>
<u>Intergovernmental Revenue</u>		
Payments in lieu of taxes	24,000	24,274
State of Tennessee – sales tax	140,000	160,143
State of Tennessee – mixed drink tax	0	2,221
State of Tennessee – beer tax	1,100	1,038
State of Tennessee – income tax	100,000	199,839
State of Tennessee – gas tax 1989	6,000	5,988
State of Tennessee – gas tax 3 cent	12,000	11,977
State of Tennessee – gas and motor fuel tax	40,000	39,924
State of Tennessee – petroleum special	4,500	4,498
Greenways and trailways grant	599,000	0
Safe routes to schools	130,000	105,880
<u>Total Intergovernmental Revenue</u>	<u>1,056,600</u>	<u>555,782</u>
<u>Other Income</u>		
Interest	16,500	16,903
Other	300	5,776
<u>Total Other Income</u>	<u>16,800</u>	<u>22,679</u>
<u>Total Revenues</u>	<u>\$2,860,800</u>	<u>\$2,660,352</u>

See accompanying notes and auditor's report.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – ACTUAL TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	Budget Original/ <u>Final</u>	Actual <u>Amounts</u>
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>		
<u>General Government</u>		
Office supplies	\$ 15,000	\$ 12,962
Postage, freight and express charges	7,500	2,893
Printing, forms and stationery	6,000	5,209
Professional fees – legal	100,000	88,487
Professional fees – other	69,000	61,238
Vehicle fuel	15,000	13,508
Vehicle repairs	5,000	909
Donations	50,000	30,059
Bank charges	100	0
Salaries and wages	453,000	453,604
Payroll taxes	36,500	35,253
Publication of legal notices	2,500	3,409
Board member expenses	500	0
Utilities	15,700	13,338
Memberships and subscriptions	6,000	3,609
Insurance – employees	95,000	85,895
Insurance – property	30,000	28,688
Telephone expense	4,000	3,259
Repairs and maintenance – building	50,000	42,380
Animal Control services	1,200	1,129
Trustee commission	3,000	3,061
Other expenses	5,000	4,282
Fixed assets acquired	50,000	47,863
Safe routes to schools	140,000	125,454
Lane acquired for public use	2,400,000	1,154,812
Recording and filing	1,000	723
Travel	2,000	1,655
Educational expense	7,000	3,484
Greenway and trails expense	700,000	75,478
Economic development	40,000	4,893
Special census	3,000	2,400
Employee relocation expenses	25,000	7,702
Employee retirement expense	<u>2,000</u>	<u>0</u>
<u>Total General Government</u>	<u>\$4,340,000</u>	<u>\$2,317,636</u>

See accompanying notes and auditor's report.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – ACTUAL TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	<u>Budget Original/ Final</u>	<u>Actual Amounts</u>
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>		
<u>Continued</u>		
<u>State Street Aid</u>		
Repairs	\$	\$ 4,957
Resurfacing	<u>130,000</u>	<u>125,000</u>
<u>Total State Street Aid</u>	<u>130,000</u>	<u>129,957</u>
<u>Streets and Roads</u>		
Repairs and maintenance		63,545
Resurfacing	<u>500,000</u>	<u>385,366</u>
<u>Total Streets and Roads</u>	<u>500,000</u>	<u>448,911</u>
<u>Parks</u>		
Repairs and supplies	<u>80,000</u>	<u>67,579</u>
<u>Total Parks</u>	<u>80,000</u>	<u>67,579</u>
<u>Debt Service</u>		
Payment on Capital Outlay Note	<u>120,000</u>	<u>16,430</u>
<u>Total Expenditures before Transfers</u>	<u>5,170,000</u>	<u>2,980,513</u>
<u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>	<u>(2,309,200)</u>	<u>( 320,161)</u>
<u>Other Financing Sources (Uses)</u>		
Proceeds from Capital Outlay Note	1,200,000	1,153,000
Payment on loan – Wastewater Fund	56,000	55,556
<u>Increase (decrease) in Fund Balances</u>	<u>(1,053,200)</u>	<u>888,395</u>
Budgetary Fund Equity – July 1, 2013	3,197,327	3,197,327
<u>Budgetary Fund Equity – June 30, 2014</u>	<u>\$2,144,127</u>	<u>\$4,085,722</u>

See accompanying notes and auditor's report.

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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.

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.

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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.

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 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 provided in the amount of \$4,000.

**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.

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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 2011 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 6-30-13	Taxes Levied	Collections	Balance 6-30-14
2004	.15	\$24,379,331	36,141	\$ 18	\$	\$	\$ 18
2005	.15	29,179,400	43,679				
2006	.103	40,981,000	42,210	16			16
2007	.103	50,955,696	51,000	9			9
2008	.103	71,312,942	77,258	21			21
2009	.103	83,599,533	87,775	27			27
2010	.103	89,326,214	92,006	59			59
2011	.103	85,407,960	87,941	31			31
2012	.103	89,657,972	92,314	2,249		2,146	103
2013	.103	106,886,489	110,070	110,070	2,146	110,856	1,360
2014	.103	128,934,758			<u>132,781</u>		<u>132,781</u>
				<u>\$112,500</u>	<u>\$134,927</u>	<u>\$113,002</u>	<u>\$134,425</u>

**NOTE 3 – CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash	\$5,112,000
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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.

Cash – At June 30, 2014, 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 \$100,000 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, 2014.

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 – WASTEWATER RATES AND CUSTOMERS**

The active number of wastewater customers at June 30, 2014 was 613.

The following monthly service rates for residential and commercial customers were in effect at June 30, 2014:

Minimum bill	16.71
Wastewater rates	7.26 per thousand gallons for 0-8,000 gallons 9.03 per thousand gallons for 8,001-20,000 gallons 11.94 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, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<u>Capital assets not being depreciated</u>				
Land	\$ 554,225	\$1,154,812		\$1,709,037
Construction in progress	0	0		0
Total assets not being depreciated	<u>554,225</u>	<u>1,154,812</u>		<u>1,709,037</u>
<u>Capital assets being depreciated</u>				
Infrastructure	216,416			216,416
Building and improvements	476,940	107,260		584,200
Furniture and equipment	41,820			41,820
Vehicles	65,795			65,795
Total assets being depreciated	<u>800,971</u>	<u>107,260</u>		<u>908,231</u>
Total capital assets	<u>1,355,196</u>	<u>1,262,072</u>		<u>2,617,268</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	( 10,798)	( 5,411)		( 16,209)
Buildings and improvements	( 126,336)	( 11,924)		( 138,260)
Furniture and equipment	( 17,753)	( 6,797)		( 24,550)
Vehicles	( 65,795)	( 0)		( 65,795)
Total accumulated depreciation	<u>( 220,682)</u>	<u>( 24,132)</u>		<u>( 196,550)</u>
Governmental activities capital assets, net	<u>\$ 1,134,514</u>	<u>\$1,286,204</u>		<u>\$2,420,718</u>

Depreciation expense was charged to functions/programs at June 30, 2014, as follows:

General government	\$ 18,721
Streets and roads	5,411
	<u>\$ 24,132</u>



**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities - Wastewater</b>				
<u>Capital assets not being depreciated</u>				
Land	\$ 2,512,000	\$	\$	\$ 2,512,000
Total assets not being depreciated	<u>2,512,000</u>			<u>2,512,000</u>
<u>Capital assets being depreciated</u>				
Wastewater system	8,712,373	1,239,604		9,951,977
Building	864,943	15,607		880,550
Machinery and equipment	<u>490,354</u>			<u>490,354</u>
Total assets being depreciated	<u>10,067,670</u>	<u>1,255,211</u>		<u>11,322,881</u>
Total capital assets	<u>12,579,670</u>	<u>1,255,211</u>		<u>13,834,881</u>
Less accumulated depreciation for:				
Wastewater system	( 1,160,588)	( 218,511)		( 1,379,099)
Building	( 126,764)	( 22,121)		( 148,885)
Machinery and equipment	<u>( 166,199)</u>	<u>( 25,323)</u>		<u>( 191,522)</u>
Total accumulated depreciation	<u>( 1,453,551)</u>	<u>( 265,955)</u>		<u>( 1,719,506)</u>
Business-type Activities Capital Assets, net	<u>\$11,126,119</u>	<u>\$ 989,256</u>	\$	<u>\$12,115,375</u>

**NOTE 6 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, 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, 2014, consist of the following: \$30,333 due from General Fund to Wastewater Fund representing utility services and \$7,222 due from Wastewater Fund to General Fund for interest earned on \$500,000 advance.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 8 – FUND BALANCE**

In accordance with GASB 54, the governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of fund balance are as follow:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, either ordinance or resolutions, of the Board of Mayor and Commissioners level of decision-making authority, are reported as committed fund balance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. The Board of Major and Commissioners have authorized the City Manager to assign fund balance up to certain amounts.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, if expenditures incurred for specific purposes have exceeded the amounts restricted, committed, or assigned to those purposes, those amounts are reported as a negative unassigned fund balance.

The Town's practice is to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

**NOTE 9 – LONG-TERM LIABILITIES**

Changes in Long-Term Liabilities

The changes in long-term liabilities during the year ended June 30, 2014, were as follows:

**Description of Long-Term Liabilities**

General Obligation Liabilities

\$1,153,000 Land Purchase Capital Outlay Note, Series 2013, due in annual installments through September 26, 2023, with interest payable semi-annually at 2.85% per annum \$1,153,000

Business-type Activities Liabilities

\$1,000,000 Wastewater Drip Field Project Capital Outlay Note, Series 2014, due in monthly installments through May 13, 2023, with interest payable monthly at 2.45% per annum 1,000,000

\$500,000 Capital Outlay Note, Series 2012, due in annual installments through December 13, 2015, with interest payable annually at 3.00% per annum 444,444  
\$1,444,444

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2014</u>	Due Within <u>One Year</u>
Governmental					
Capital Outlay Note – Series 2013		<u>\$1,153,000</u>		<u>\$1,153,000</u>	<u>\$115,300</u>
Business-Type Activities					
Capital Outlay Note – Series 2014	\$ 0	\$1,000,000	\$ 9,259	\$ 990,741	\$111,111
Capital Outlay Note – Series 2012	<u>500,000</u>		<u>55,556</u>	<u>444,444</u>	<u>55,555</u>
	<u>\$500,000</u>	<u>\$1,000,000</u>	<u>\$64,815</u>	<u>\$1,435,185</u>	<u>\$166,666</u>

	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 115,300	\$ 31,217	\$ 146,517	\$111,111	\$ 23,025	\$ 134,136	\$ 55,555	\$13,333	\$ 68,888
2016	115,300	27,931	143,231	111,111	20,303	131,414	388,889	11,667	400,556
2017	115,300	24,645	139,945	111,111	17,581	128,692			
2018	115,300	21,359	136,659	111,111	14,858	125,969			
2019	115,300	18,073	133,373	111,111	12,137	123,248			
2020	115,300	14,787	130,087	111,111	9,415	120,526			
2021	115,300	11,501	126,801	111,111	6,692	117,803			
2022	115,300	8,215	123,515	111,111	3,970	115,081			
2023	115,300	4,929	120,229	101,853	1,248	103,101			
2024	<u>115,300</u>	<u>1,643</u>	<u>116,943</u>						
	<u>\$1,153,000</u>	<u>\$164,300</u>	<u>\$1,317,300</u>	<u>\$990,741</u>	<u>\$109,229</u>	<u>\$1,099,970</u>	<u>\$444,444</u>	<u>\$25,000</u>	<u>\$469,444</u>

**NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLES**

For the year ended June 30, 2014, the Town implemented GASB Statement No. 63, Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position. The adoption of this Statement resulted in the establishment of categories outside of assets and liabilities that are titled deferred outflows and deferred inflows of resources. The Statement also retitled Net Assets as Net Position.

**NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Town has no item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an increase to net position that applies to a future period and is not recognized as an inflow of resource (revenue) until that time. The Town has one type of items that qualify for reporting in this category. These items are amounts in the government funds that were measurable at year-end but were not available to finance expendables for the current year. This includes unavailable revenues from property taxes.

**NOTE 12 – LITIGATION**

The Town, from time to time, is involved in various lawsuits arising in the ordinary course of its business. The Town maintains insurance coverage to minimize the risk of loss from threatened or pending litigation. It is management's opinion that any pending or threatened litigation will have no significant effect on the Town's results of operations.

**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**

February 12, 2015

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, 2014, and have issued our report thereon dated February 12, 2015. 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 of Thompson's Station is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Thompson's Station'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 of Thompson's Station'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weakness. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (Finding No. 2006.1).

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Thompson's Station'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*.

Town of Thompson's Station'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 of Thompson's Station's response and, accordingly, we express no opinion on it.

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Parsons and Associates*

Parsons and Associates

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2014**

**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 and one employee performs the duties of Town Finance Director. 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.