

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 1992

Report

of

Examination

C O N T E N T S

	<u>Pages</u>
Independent Auditor's Report	1 - 2
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Equity	4
Combined Statement of Revenue, Expenditures, Encumbrances and Changes in Fund Equity	5
Notes to Financial Statements	6 - 8
Special Revenue Fund - State Street Aid Balance Sheet	9
Statement of Revenue, Expenditures and Changes in Fund Equity	9
Statement of Revenue and Expenditures - General Fund	10
Statement of General Fixed Assets	11
Statement of Changes in General Fixed Assets - By Source	11
Statement of Changes in General Fixed Assets - By Function and Activity	11
Supplemental Schedules	
Schedule of Insurance	12
Schedule of Principal Officers	12
Independent Auditor's Report on Internal Control	13 - 14
Findings and Recommendations	15
Independent Auditor's Report on Compliance	16

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INDEPENDENT AUDITOR'S REPORT

September 22, 1992

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

We have audited the accompanying general purpose financial statements and the combined and individual fund and account group financial statements of Town of Thompson's Station, Tennessee, as of June 30, 1992, and for the twenty-three months then ended, as listed in the table of contents. These financial statements are the responsibility of the Town of Thompson's Station, Tennessee, management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Town of Thompson's Station, Tennessee, as of June 30, 1992, and the results of its operations for the twenty-three months then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combined and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of Town of Thompson's Station, Tennessee, as of June 30, 1992, and the results of its operations of such funds for the twenty-three months then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combined and individual fund and account group financial statements. The financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Town of Thompson's Station, Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combined and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

Dan Parsons and Associates

Dan Parsons and Associates

Town of Thompson's Station, Tennessee
Balance Sheet
All Fund Types and Account Groups
June 30, 1992

	<u>Government Funds</u>		<u>Account Group</u>	<u>Memorandum Totals</u>
	<u>General Fund</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	
<u>ASSETS</u>				
Cash	\$ 65,872	\$ 18,770	\$	\$ 84,642
Taxes receivable	763			763
Furniture and equipment			790	790
	\$ 66,635	\$ 18,770	\$ 790	\$ 86,195
 <u>LIABILITIES</u>				
	\$ 0	\$ 0	\$ 0	\$ 0
 <u>FUND EQUITY</u>				
Investment in General Fixed Assets			790	790
Fund Equity Unreserved	66,635	18,770		85,405
	\$ 66,635	\$ 18,770	\$ 790	\$ 86,195

See Notes to Financial Statements.

Town of Thompson's Station, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Equity - All Governmental Fund Types
Twenty-three Months Ended June 30, 1992

	<u>Governmental Funds</u>		<u>Memorandum Totals</u>
	<u>General</u>	<u>Special Revenue</u>	
<u>Revenue</u>			
Taxes	\$ 41,075	\$	\$ 41,075
Permits and licenses	100		100
Intergovernmental revenue	35,295	18,770	54,065
Other income	4,210		4,210
<u>Total</u>	<u>80,680</u>	<u>18,770</u>	<u>99,450</u>
 <u>Expenditures</u>			
General government	<u>14,045</u>		<u>14,045</u>
 Excess of Revenue over (under) Expenditures	 <u>66,635</u>	 <u>18,770</u>	 <u>85,405</u>
 Fund Equity - August 15, 1990	 -0-	 -0-	 -0-
 Fund Equity - June 30, 1992	 <u>\$ 66,635</u>	 <u>\$ 18,770</u>	 <u>\$ 85,405</u>

See Notes to Financial Statements.

Town of Thompson's Station, Tennessee
Combined Statement of Revenue, Expenditures, Encumbrances
and Changes in Fund Equity - Budget and Actual
General and Special Revenue Funds
Twenty-three Months Ended June 30, 1992

	<u>General Fund</u>			<u>Special Revenue Funds</u>			<u>Memorandum Total</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue</u>									
Taxes	\$ 41,075	\$ 27,000	\$ 14,075				\$ 41,075	\$ 27,000	\$ 14,075
Permits and licenses	100		100				100		100
Intergovernmental revenue	35,295	31,600	3,695	18,770	18,000	770	54,065	49,600	4,465
Other income	4,210	2,800	1,410				4,210	2,800	1,410
<u>Total</u>	<u>80,680</u>	<u>61,400</u>	<u>19,280</u>	<u>18,770</u>	<u>18,000</u>	<u>770</u>	<u>99,450</u>	<u>79,400</u>	<u>20,050</u>
<u>Expenditures</u>									
General government	14,045	32,800	18,755				14,045	32,800	18,755
Streets					18,000	18,000		18,000	18,000
<u>Total</u>	<u>14,045</u>	<u>32,800</u>	<u>18,755</u>		<u>18,000</u>	<u>18,000</u>	<u>14,045</u>	<u>50,800</u>	<u>36,755</u>
<u>Excess of Revenue over (under) Expenditures</u>	66,635	\$ <u>28,600</u>	\$ <u>38,035</u>	18,770	\$ <u>0</u>	\$ <u>18,770</u>	85,405	\$ <u>28,600</u>	\$ <u>56,805</u>
Fund Equity - August 15, 1990	0			0			0		
Fund Equity - June 30, 1992	\$ <u>66,635</u>			\$ <u>18,770</u>			\$ <u>85,405</u>		

See Notes to Financial Statements.

Town of Thompson's Station, Tennessee
Notes to Financial Statements
June 30, 1992

SUMMARY OF ACCOUNTING POLICIES: The Town of Thompson's Station, Tennessee (the "Town") was incorporated on August 15, 1990, under the provisions of Section 6-1-202, et. seq., 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 accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. **THE REPORTING ENTITY:** The Town, for financial purposes, includes all of the funds and account groups relevant to the operations of the Town of Thompson's Station, Tennessee.

2. **FUND ACCOUNTING:** The accounts of the Town are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report into:

General Fund: The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

3. **PROPERTY, PLANT AND EQUIPMENT AND LONG-TERM LIABILITIES:** The accounting and reporting treatment applied to property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Town of Thompson's Station, Tennessee
Notes to Financial Statements
June 30, 1992

Property, plant and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such property, plant and equipment.

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated.

The Town has adopted the accounting policy of not capitalizing "infrastructure" general fixed assets (road, bridges, curb and gutter, streets, and similar assets that are immovable and of value only to the Town).

Account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement or results of operations.

4. **BASIS OF ACCOUNTING:** Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All government funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

5. **BUDGETS AND BUDGETARY ACCOUNTING:** The Town following these procedures in establishing the budgetary data reflected in the financial statements.
- a. Formal budgetary integration is employed as a management control device during the year for the General Fund. These budgets are adopted on a basis consistent with generally accepted accounting principles.
 - b. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
 - c. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Town of Thompson's Station, Tennessee
Notes to Financial Statements
June 30, 1992

6. **REVENUE RECOGNITION - PROPERTY TAXES:** Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent March 1 of the following year.

Property tax revenues are recognized when they are levied as of October 1. Taxes receivable at June 30, 1992 are:

	<u>Tax</u> <u>Rate</u>	<u>Assessment</u>	<u>Unpaid Taxes</u> <u>June 30, 1992</u>
1991	.23	\$ 16,150	\$ 763

7. **DEPOSITS, SECURITIES AND INVESTMENTS:** Deposits were with the contracted depository banks in interest bearing accounts which were secured at the balance sheet date by FDIC coverage.

Town of Thompson's Station, Tennessee
Special Revenue Fund - State Street Aid
June 30, 1992

Balance Sheet

<u>Assets</u>		
Cash		\$ <u>18,770</u>
 <u>Fund Equity</u>		
Unreserved		\$ <u>18,770</u>

Statement of Revenue, Expenditures
and Changes in Fund Equity
Twenty-three Months Ended June 30, 1992

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Revenue</u>			
State of Tennessee - State Street Aid	\$ 18,770	\$ 18,000	\$ 770
 <u>Expenditures</u>			
Streets - repairs and maintenance	0	18,000	18,000
 <u>Excess of Revenue and Other Sources over (under) Expenditures</u>			
	18,770	0	18,770
 Fund Equity - August 15, 1990			
	0	0	0
 Fund Equity - June 30, 1992.			
	\$ <u>18,770</u>	\$ <u>0</u>	\$ <u>18,770</u>

Town of Thompson's Station, Tennessee
Statement of Revenue and Expenditures - General Fund
Twenty-three Months Ended June 30, 1992

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>REVENUE</u>			
<u>Taxes</u>			
Property	\$ 16,150	\$ 13,500	\$ 2,650
Wholesale beer	9,431	7,500	1,931
Local sales	<u>15,494</u>	<u>6,000</u>	<u>9,494</u>
<u>Total Taxes</u>	<u>41,075</u>	<u>27,000</u>	<u>14,075</u>
 <u>Permits and Licenses</u>			
Beverage	<u>100</u>		<u>100</u>
<u>Total Permits and Licenses</u>	<u>100</u>		<u>100</u>
 <u>Intergovernmental Revenue</u>			
Payments in lieu of taxes	3,657	2,500	1,157
State of Tennessee - sales tax	29,373	27,000	2,373
State of Tennessee - beer tax	347	300	47
State of Tennessee - street and transportation	<u>1,918</u>	<u>1,800</u>	<u>118</u>
<u>Total Intergovernmental Revenue</u>	<u>35,295</u>	<u>31,600</u>	<u>3,695</u>
 <u>Other Income</u>			
Interest	1,658	250	1,408
Donations	<u>2,552</u>	<u>2,550</u>	<u>2</u>
<u>Total Other Income</u>	<u>4,210</u>	<u>2,800</u>	<u>1,410</u>
 <u>Total Revenue</u>	 <u>\$ 80,680</u>	 <u>\$ 61,400</u>	 <u>\$ 19,280</u>
 <u>EXPENDITURES</u>			
<u>General Government</u>			
Office supplies	\$ 948)	\$ 1,700	\$(38)
Furniture and equipment	790)		
Professional and legal fees	5,699	9,200	3,501
Bank charges	9		(9)
Board member expenses	70	200	130
Advertising	1,050	500	(550)
Office rent	120		(120)
Memberships and publications	325	500	175
Insurance	500	2,500	2,000
Election expense	1,200	1,000	(200)
Telephone	279	600	321
Office maintenance	16	200	184
Trustee fees and commissions	833	700	(133)
Contingency for road repairs		13,500	13,500
Grants, contributions, etc.		150	150
Other		250	250
Street repairs and maintenance	<u>2,206</u>	<u>1,800</u>	<u>(406)</u>
	<u>\$ 14,045</u>	<u>\$ 32,800</u>	<u>\$ 18,755</u>

Town of Thompson's Station, Tennessee
Statement of General Fixed Assets
June 30, 1992

<u>General Fixed Assets</u>	
Furniture and equipment	\$ <u>790</u>
<u>Investment in General Fixed Assets</u>	
From current revenue	\$ <u>790</u>

Statement of Changes in General Fixed Assets - By Source
Twenty-three Months Ended June 30, 1992

	<u>Furniture and Equipment</u>	<u>Total</u>
<u>General Fixed Assets</u> - August 15, 1990	\$ 0	\$ 0
Add expenditures from:		
General Fund	790	790
<u>General Fixed Assets</u> - June 30, 1992	\$ <u>790</u>	\$ <u>790</u>

Statement of Changes in General Fixed Assets -
By Function and Activity
Twenty-three Months Ended June 30, 1992

<u>Function and Activity</u>	<u>General Fixed Assets August 15, 1990</u>	<u>Additions</u>	<u>Deductions</u>	<u>General Fixed Assets June 30, 1992</u>
General Government				
Administrative	\$ 0	\$ 790	\$ 0	\$ 790
<u>Total</u>	\$ <u>0</u>	\$ <u>790</u>	<u>0</u>	\$ <u>790</u>

Town of Thompson's Station, Tennessee
June 30, 1992

Schedule of Insurance

<u>Company</u>	<u>Period</u>	<u>Coverage</u>	
TML Risk Management Pool	8-15-91/92	Commercial General Liability	
		Injury - per person	\$ 130,000
		per occurrence	350,000
		Property damage -	
		per occurrence	20,000
		Each other loss -	
		per occurrence	350,000

Schedule of Principal Officers

<u>Name of Official</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Amount of of Bond</u>
David L. Coleman	Mayor	-0-	-0-
John T. Neal	Vice Mayor	-0-	-0-
Sarah H. Benson	Alderman	-0-	-0-
Doug Goetsch	City Recorder	(1)	-0-

(1) City Recorder is retained on a \$100 per month fee.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT
CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 22, 1992

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

We have audited the general purpose financial statements and the combined, individual fund and account group financial statements of Town of Thompson's Station, Tennessee, for the twenty-three months ended June 30, 1992, and have issued our report thereon dated September 22, 1992.

We have conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Town of Thompson's Station, Tennessee, for the twenty-three months ended June 30, 1992, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Town of Thompson's Station, Tennessee, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may

become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: cash receipts, cash disbursements and property and equipment.

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Findings and recommendations are presented on page 15.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management and Comptroller of the Treasury of the State of Tennessee. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Town of Thompson's Station, Tennessee, is a matter of public record.

Dan Parsons and Associates

Dan Parsons and Associates

Town of Thompson's Station, Tennessee

FINDING:

The Town of Thompson's Station does not have any employees. One individual performs the duties of City Recorder and does all the recording and bookkeeping functions. The lack of personnel does not permit the separation of functions, and does not provide a check on the recording of transactions. The lack of a cross-check could permit errors to remain undetected for some time.

RECOMMENDATION:

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

RESPONSE:

The Board of Mayor and Alderman 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.

We will investigate the possibility of certain members of the Board reviewing sections of the records on some systematic basis.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 22, 1992

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

We have audited the general purpose financial statements and the combined and individual fund and account group financial statements of Town of Thompson's Station, Tennessee, as of and for the twenty-three months ended June 30, 1992, and have issued our report thereon dated September 22, 1992.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Town of Thompson's Station, Tennessee, is the responsibility of Town of Thompson's Station, Tennessee, management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Town of Thompson's Station, Tennessee, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town had not complied, in all material respects, with those provisions.

This report is intended for the information of management, and Comptroller of the Treasury of the State of Tennessee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Dan Parsons and Associates

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