

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 1995

Report  
of  
Examination

C O N T E N T S

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# DAN PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

400 MAIN STREET

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

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MEMBERS  
AMERICAN INSTITUTE OF  
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## INDEPENDENT AUDITOR'S REPORT

December 7, 1995

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 individual fund and account group financial statements of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 1995, 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, 1995, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the 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, 1995, and the results of its operations of such funds for the year 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 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, 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, 1995**

	Government Funds		Account Groups		Totals (Memorandum Only)	
	General Fund	Special Revenue	General Fixed Assets	General Long-Term Debt	June 30, 1995	June 30, 1994
<b><u>ASSETS</u></b>						
Cash	\$ 272,480	\$ 15,879	\$	\$	\$ 288,359	\$ 249,683
Taxes receivable	1,145				1,145	1,549
Furniture and equipment			3,480		3,480	1,726
Building			68,769		68,769	57,367
Land			108,010		108,010	86,708
Amount to be provided for retirement of long-term debt				65,284	65,284	70,259
	\$ 273,625	\$ 15,879	\$ 180,259	\$ 65,284	\$ 535,047	\$ 467,292
<b><u>LIABILITIES</u></b>						
Note payable - bank	\$	\$	\$	\$ 65,284	\$ 65,284	\$ 70,259
<b><u>FUND EQUITY</u></b>						
Investment in General Fixed Assets			180,259		180,259	145,801
Fund Equity Unreserved	273,625	15,879			289,504	251,232
	\$ 273,625	\$ 15,879	\$ 180,259	\$ 65,284	\$ 535,047	\$ 467,292

See Notes to Financial Statements

Town of Thompson's Station, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Equity - All Governmental Fund Types  
Year Ended June 30, 1995

	<u>Governmental Funds</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<u>Revenue</u>			
Taxes	\$ 54,560	\$	\$ 54,560
Intergovernmental revenue	70,468	19,829	90,297
Other income	13,309		13,309
<u>Total</u>	<u>138,337</u>	<u>19,829</u>	<u>158,166</u>
<u>Expenditures</u>			
General government	59,407		59,407
Streets		60,487	60,487
<u>Total</u>	<u>59,407</u>	<u>60,487</u>	<u>119,894</u>
<u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>	78,930	( 40,658)	38,272
Fund Equity - July 1, 1994	194,695	56,537	251,232
Fund Equity - June 30, 1995	\$ <u>273,625</u>	\$ <u>15,879</u>	\$ <u>289,504</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**  
**Year Ended June 30, 1995**

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
<b>Revenue</b>									
Taxes	\$ 54,560	\$ 47,150	\$ 7,410	\$	\$	\$	\$ 54,560	\$ 47,150	\$ 7,410
Intergovernmental revenue	70,468	67,700	2,768	19,829	19,000	829	90,297	86,700	3,597
Other income	13,309	6,100	7,209				13,309	6,100	7,209
<u>Total</u>	<u>138,337</u>	<u>120,950</u>	<u>17,387</u>	<u>19,829</u>	<u>19,000</u>	<u>829</u>	<u>158,166</u>	<u>139,950</u>	<u>18,216</u>
<b>Expenditures</b>									
General government	59,407	120,950	61,543				59,407	120,950	61,543
Streets				60,487	70,000	9,513	60,487	70,000	9,513
<u>Total</u>	<u>59,407</u>	<u>120,950</u>	<u>61,543</u>	<u>60,487</u>	<u>70,000</u>	<u>9,513</u>	<u>119,894</u>	<u>190,950</u>	<u>71,056</u>
Excess of Revenue and Other Sources Over (Under)									
<u>Expenditures</u>	78,930	-0-	78,930	( 40,658)	( 51,000)	10,342	38,272	( 51,000)	89,272
Fund Equity - July 1, 1994	194,695	194,695	-0-	56,537	56,537	-0-	251,232	251,232	-0-
Fund Equity - June 30, 1995	\$ <u>273,625</u>	\$ <u>194,695</u>	\$ <u>78,930</u>	\$ <u>15,879</u>	\$ <u>5,537</u>	\$ <u>10,342</u>	\$ <u>289,504</u>	\$ <u>200,232</u>	\$ <u>89,272</u>

See Notes to Financial Statements

**Town of Thompson's Station, Tennessee**  
**Notes to Financial Statements**  
**June 30, 1995**

**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:

**NOTE 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. 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 financial statements of the Town include those of separately administered organizations that are controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

There were no component units based upon the foregoing criteria.

**NOTE 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.



Town of Thompson's Station, Tennessee  
Notes to Financial Statements  
June 30, 1995

**NOTE 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.

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 (roads, 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.

A summary of changes in general fixed assets for the year ended June 30, 1995, follows:

	Balance July 1, <u>1994</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>1995</u>
Furniture and equipment	\$ 1,726	\$ 1,754		\$ 3,480
Building	57,367	11,402		68,769
Land	<u>86,708</u>	<u>21,302</u>		<u>108,010</u>
	<u>\$ 145,801</u>	<u>\$ 34,458</u>		<u>\$ 180,259</u>

The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from government funds.

Town of Thompson's Station, Tennessee  
Notes to Financial Statements  
June 30, 1995

**NOTE 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 governmental 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.

**NOTE 5 - BUDGETS AND BUDGETARY ACCOUNTING**

The Town followed 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.

**NOTE 6 - TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Town of Thompson's Station, Tennessee

Notes to Financial Statements

June 30, 1995

**NOTE 7 - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the Town of Thompson's Station. Taxes are due on October 1 and become delinquent on March 1 following the October 1 levy date.

Property tax revenues are recognized when levied as of October 1.

At June 30, 1995, delinquent taxes in the amount of \$97 have been turned over to attorneys for collection. Taxes receivable are as follows at June 30, 1995:

	Tax Rate	Assessment	Taxes Receivable			
			Balance 7-1-94	Assessment 1994	Payments and Adjustments	Balance 6-30-95
1991	.23	\$ 16,150	\$ -0-	\$	\$	\$ -0-
1992	.23	16,410	250		250	-0-
1993	.23	20,077	1,299		1,202	97
1994	.23	18,397	-0-	<u>18,397</u>	<u>17,349</u>	<u>1,048</u>
			\$ <u>1,549</u>	\$ <u>18,397</u>	\$ <u>18,801</u>	\$ <u>1,145</u>

**NOTE 8 - DEPOSITS**

Deposits were with the contract depository banks in interest bearing accounts which were secured at the balance sheet date by FDIC coverage. Funds were on deposit with the State of Tennessee Local Government Investment Pool, which is collateralized by U. S. Government securities.

<u>Name of bank/depository</u>	<u>Amount of bond and/or security pledged</u>	<u>Cash, savings and time deposits combined account balances</u>	<u>Total amount of FDIC coverage</u>
First Tennessee Bank		\$ 12,923	\$ 100,000
State of Tennessee Local Government Investment Pool	(1)	275,436	

(1) The investment pool is collateralized collectively. Additional information may be obtained from the State of Tennessee Department of Local Government Investment Pool.

Town of Thompson's Station, Tennessee  
Notes to Financial Statements  
June 30, 1995

**NOTE 9 - GENERAL LONG-TERM DEBT**

A summary of long-term debt is as follows:

	Balance July 1, 1994	Issued	Retired	Balance June 30, 1995
Capital Outlay Note, Series 1993, \$75,000.00 issued with fixed interest rate of 4.835%; semi-annual payments of \$4,155.33, including interest, beginning December 21, 1993.	\$ 70,259	\$	\$ 4,975	\$ 65,284

The following is a summary of note payments and interest requirements for the year ending June 30:

Year	Principal	Interest	Total
1996	\$ 5,214	\$ 3,096	\$ 8,310
1997	5,472	2,838	8,310
1998	5,739	2,571	8,310
1999	6,020	2,290	8,310
2000	6,315	1,995	8,310
2001	6,624	1,686	8,310
2002	6,948	1,362	8,310
2003	7,287	1,023	8,310
2004	7,645	665	8,310
2005	8,020	290	8,310
	\$ 65,284	\$ 17,816	\$ 83,100

Town of Thompson's Station, Tennessee  
Special Revenue Fund - State Street Aid  
June 30, 1995

Balance Sheet

<u>Assets</u>		
Cash	\$	<u>15,879</u>
 <u>Fund Equity</u>		
Unreserved	\$	<u>15,879</u>

Statement of Revenue, Expenditures  
and Changes in Fund Equity  
Year Ended June 30, 1995

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenue</u>			
State of Tennessee State Street Aid	\$ 19,829	\$ 19,000	\$ 829
 <u>Expenditures</u>			
Streets - repairs and maintenance	60,487	70,000	9,513
 Excess of Revenue and Other Sources			
<u>Over (Under) Expenditures</u>	<u>( 40,658)</u>	<u>( 51,000)</u>	<u>10,342</u>
 Fund Equity - July 1, 1994	56,537	56,537	-0-
 Fund Equity - June 30, 1995	\$ <u>15,879</u>	\$ <u>5,537</u>	\$ <u>10,342</u>

See Notes to Financial Statements

Town of Thompson's Station, Tennessee  
Statement of Revenue and Expenditures and  
Changes in Fund Equity - General Fund  
Year Ended June 30, 1995

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>REVENUE</u>			
<u>Taxes</u>			
Property	\$ 18,397	\$ 18,000	\$ 397
Privilege	1,356	6,000	( 4,644)
Wholesale beer	11,006	7,000	4,006
Local sales tax	23,222	16,000	7,222
Licenses and permits	438	-0-	438
Penalties and interest	<u>141</u>	<u>150</u>	( 9)
<u>Total Taxes</u>	<u>54,560</u>	<u>47,150</u>	<u>7,410</u>
<u>Intergovernmental Revenue</u>			
Payments in lieu of taxes	3,909	3,500	409
State of Tennessee - sales tax	36,218	32,000	4,218
State of Tennessee - beer tax	356	400	( 44)
State of Tennessee - street and transportation	1,877	1,800	77
State of Tennessee - income tax	13,108	15,000	( 1,892)
State of Tennessee - Grant	<u>15,000</u>	<u>15,000</u>	<u>-0-</u>
<u>Total Intergovernmental Revenue</u>	<u>70,468</u>	<u>67,700</u>	<u>2,768</u>
<u>Other Income</u>			
Interest	13,309	6,000	7,309
Other	<u>-0-</u>	<u>100</u>	( 100)
<u>Total Other Income</u>	<u>13,309</u>	<u>6,100</u>	<u>7,209</u>
<u>Total Revenue</u>	<u>\$ 138,337</u>	<u>\$ 120,950</u>	<u>\$ 17,387</u>

See Notes to Financial Statements

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>EXPENDITURES</u>			
<u>General Government</u>			
Office supplies	\$ 1,166	\$ 500	\$( 666)
Legal fees	2,005	5,000	2,995
Auditing fee	1,925	2,000	75
Other professional	-0-	1,000	1,000
Bank charges	24	50	26
City recorder	1,800	1,800	-0-
Advertising	369	500	131
Board member expense	-0-	500	500
Utilities	1,325	4,800	3,475
Memberships and publications	383	400	17
Insurance	1,831	2,500	669
Election expense	820	1,500	680
Telephone	655	1,200	545
Maintenance and repairs	1,720	1,500	( 220)
Trustee fees and commissions	977	1,000	23
Building improvements	13,156	20,000	6,844
Grants, contributions, etc.	-0-	500	500
Land purchases	21,302	22,500	1,198
Other	-0-	500	500
Street repairs and maintenance	1,638	32,000	30,362
Parks and recreation	-0-	5,000	5,000
Fixed assets	-0-	1,800	1,800
Privilege tax expenditures	-0-	6,000	6,000
Debt retirement	<u>8,311</u>	<u>8,400</u>	<u>89</u>
<u>Total General Government</u>	<u>59,407</u>	<u>120,950</u>	<u>61,543</u>
<u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>	78,930	-0-	78,930
Fund Equity - July 1, 1994	194,695	194,695	-0-
Fund Equity - June 30, 1995	\$ <u>273,625</u>	\$ <u>194,695</u>	\$ <u>78,930</u>

See Notes to Financial Statements

Town of Thompson's Station, Tennessee  
Statement of General Fixed Assets  
June 30, 1995

General Fixed Assets

Furniture and equipment	\$ 3,480
Building	68,769
Land	<u>108,010</u>
<u>Total</u>	<u>\$ 180,259</u>

Investment in General Fixed Assets

From current revenue	\$ 130,259
From contributions	<u>50,000</u>
<u>Total</u>	<u>\$ 180,259</u>

Statement of Changes in General Fixed Assets - By Source  
Year Ended June 30, 1995

	Furniture and <u>Equipment</u>	Buildings	<u>Land</u>	<u>Total</u>
<u>General Fixed Assets</u> - July 1, 1994	\$ 1,726	\$ 57,367	\$ 86,708	\$ 145,801
Additions:				
General Fund	1,754	11,402	21,302	34,458
<u>General Fixed Assets</u> - June 30, 1995	<u>\$ 3,480</u>	<u>\$ 68,769</u>	<u>\$ 108,010</u>	<u>\$ 180,259</u>

<u>Function and Activity</u>	General Fixed Assets <u>July 1, 1994</u>	<u>Additions</u>	<u>Deductions</u>	General Fixed Assets <u>June 30, 1995</u>
General Government				
Administrative	\$ 59,093	\$ 13,156		\$ 72,249
Land	86,708	21,302		108,010
	<u>\$ 145,801</u>	<u>\$ 34,458</u>		<u>\$ 180,259</u>

See Notes to Financial Statements



Town of Thompson's Station, Tennessee  
June 30, 1995

Schedule of Insurance

<u>Company</u>	<u>Period</u>	<u>Coverage</u>	
TML Risk Management Pool	6-30-94/95	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
TML Risk Management Pool	6-30-94/95	Property	
		Fire and extended coverage	229,000
		Deductible	500

Schedule of Principal Officers

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

(1) City Recorder is retained on a \$150 per month fee.

See Notes to Financial Statements

DAN PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

400 MAIN STREET

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 7, 1995

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 individual fund and account group financial statements of Town of Thompson's Station, Tennessee as of and for the year ended June 30, 1995, and have issued our report thereon dated December 7, 1995.

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 general purpose financial statements and the individual fund and account group financial statements are free of material misstatement.

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 judgments 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 general purpose financial statements and the individual fund and account group 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.

In planning and performing our audit of the general purpose financial statements and the individual fund and account group financial statements of Town of Thompson's Station, Tennessee, for the year ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and the individual fund and account group financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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 and the individual fund and account group financial statements.

Findings and recommendations are presented on page 18.

A material weakness is a reportable condition in which the design or operation of one or more of the 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 and the individual fund and account group 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 the 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  
Findings and Recommendations  
June 30, 1995

1. **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 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.

2. **FINDING:** The Town of Thompson's Station pays \$600 or more, in a calendar year, for services provided in the course of trade or business by some persons. The Internal Revenue Code requires information returns be provided to those recipients and the Internal Revenue Service annually stating the amount paid during the year. The Town of Thompson's Station does not file the required forms and may be subject to a penalty for each form not filed.

**RECOMMENDATION:** We recommend that the proper forms be filed with the Internal Revenue Service annually for those persons who are required to receive them.

**RESPONSE:** The necessary reports will be filed starting with the current year.

\*Prior year finding.

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

December 7, 1995

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 individual fund and account group financial statements of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 1995, and have issued our report thereon dated December 7, 1995.

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.

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 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 general purpose financial statements and the individual fund and account group 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 disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management, and the 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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