

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 1996

Report
of
Examination

C O N T E N T S

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DAN PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

November 11, 1996

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, 1996, 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, 1996, 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 accounting 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, 1996, and the results of its operations of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 11, 1996, on our consideration of Town of Thompson's Station's internal control structures and a report dated November 11, 1996, on its compliance with laws and regulations.

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, 1996

	<u>Government Funds</u>		<u>Account Groups</u>		<u>Totals</u> (Memorandum Only)	
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-Term</u> <u>Debt</u>	<u>June 30,</u> <u>1996</u>	<u>June 30,</u> <u>1995</u>
<u>ASSETS</u>						
Cash	\$ 348,315	\$ 1,973	\$	\$	\$ 350,288	\$ 288,359
Taxes receivable	1171				1,171	1,145
Furniture and equipment			4,930		4,930	3,480
Buildings			70,832		70,832	68,769
Land and improvements			139,695		139,695	108,010
Amount to be provided for retirement of long-term debt				60,072	60,072	65,284
	<u>\$ 349,486</u>	<u>\$ 1,973</u>	<u>\$ 215,457</u>	<u>\$ 60,072</u>	<u>\$ 626,988</u>	<u>\$ 535,047</u>
<u>LIABILITIES</u>						
Note payable - bank	\$	\$	\$	\$ 60,072	\$ 60,072	\$ 65,284
<u>FUND EQUITY</u>						
Investment in General Fixed Assets			215,457		215,457	180,259
Fund Equity Unreserved	349,486	1,973			351,459	289,504
	<u>\$ 349,486</u>	<u>\$ 1,973</u>	<u>\$ 215,457</u>	<u>\$ 60,072</u>	<u>\$ 626,988</u>	<u>\$ 535,047</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND EQUITY - ALL GOVERNMENTAL TYPES
YEAR ENDED JUNE 30, 1996

	<u>Governmental Funds</u>		Totals (Memorandum <u>Only</u>)
	<u>General</u>	Special <u>Revenue</u>	
<u>Revenue</u>			
Taxes	\$ 53,831	\$	\$ 53,831
Intergovernmental revenue	67,382	26,042	93,424
Other income	<u>18,327</u>	<u> </u>	<u>18,327</u>
<u>Total</u>	<u>139,540</u>	<u>26,042</u>	<u>165,582</u>
 <u>Expenditures</u>			
General government	63,679		63,679
Streets	<u> </u>	<u>39,948</u>	<u>39,948</u>
<u>Total</u>	<u>63,679</u>	<u>39,948</u>	<u>103,627</u>
 <u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>			
	75,861	(13,906)	61,955
 Fund Equity - July 1, 1995			
	273,625	15,879	289,504
 Fund Equity - June 30, 1996			
	\$ <u>349,486</u>	\$ <u>1,973</u>	\$ <u>351,459</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND ENCUMBRANCES
 AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 1996

	General Fund			Special Revenue Funds			(Memorandum Only)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenue									
Taxes	\$ 53,831	\$ 49,500	\$ 4,331	\$	\$	\$	\$ 53,831	\$ 49,000	\$ 4,331
Intergovernmental revenue	67,382	70,000	(2,618)	26,042	25,000	1,042	93,424	95,000	(1,576)
Other income	<u>18,327</u>	<u>10,200</u>	<u>8,127</u>				<u>18,327</u>	<u>10,700</u>	<u>8,127</u>
Total	<u>139,540</u>	<u>129,700</u>	<u>9,840</u>	<u>26,042</u>	<u>25,000</u>	<u>1,042</u>	<u>165,582</u>	<u>154,700</u>	<u>10,882</u>
Expenditures									
General government	63,679	105,000	41,321				63,679	105,000	41,321
Streets				<u>39,948</u>	<u>40,000</u>	<u>52</u>	<u>39,948</u>	<u>40,000</u>	<u>52</u>
Total	<u>63,679</u>	<u>105,000</u>	<u>41,321</u>	<u>39,948</u>	<u>40,000</u>	<u>52</u>	<u>103,627</u>	<u>145,000</u>	<u>41,373</u>
Excess of Revenue and Other Sources Over (Under) Expenditures	75,861	24,700	51,161	(13,906)	(15,000)	1,094	61,955	9,700	52,255
Fund Equity - July 1, 1995	273,625	273,625	0	15,879	15,879	0	289,504	289,504	0
Fund Equity - June 30, 1996	\$ <u>349,486</u>	\$ <u>298,325</u>	\$ <u>51,161</u>	\$ <u>1,973</u>	\$ <u>879</u>	\$ <u>1,094</u>	\$ <u>351,459</u>	\$ <u>299,204</u>	\$ <u>52,255</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

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, etc. 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, 1996

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.

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

A summary of changes in general fixed assets for the year ended June 30, 1996, follows:

	Balance July 1, <u>1995</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>1996</u>
Furniture and equipment	\$ 3,480	\$ 1,450		\$ 4,930
Building	68,769	2,063		70,832
Land and improvements	<u>108,010</u>	<u>31,685</u>		<u>139,695</u>
	<u>\$ 180,259</u>	<u>\$ 35,198</u>		<u>\$ 215,457</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

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, 1996

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, 1996, delinquent taxes in the amount of \$39 have been turned over to attorneys for collection. Taxes receivable are as follows at June 30, 1996.

	Tax Rate	Assessment	Taxes Receivable			
			Balance 7-1-95	Assessment 1995	Payments and Adjustments	Balance 6-30-96
1991	.23	\$ 16,150	\$ -0-	\$	\$	\$ -0-
1992	.23	16,410	-0-			-0-
1993	.23	20,077	97		97	-0-
1994	.23	18,397	1,048		1,048	39
1995	.23	18,958	<u>-0-</u>	<u>18,958</u>	<u>17,787</u>	<u>1,132</u>
			\$ <u>1,145</u>	\$ <u>18,958</u>	\$ <u>18,932</u>	\$ <u>1,171</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>	Amount of bond and/or security pledged	Cash, savings and time deposits combined account <u>balances</u>	Total amount of FDIC <u>coverage</u>
First Tennessee Bank		\$ 10,716	\$ 100,000
State of Tennessee Local Government Investment Pool	(1)	339,572	

(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, 1996

NOTE 9 - GENERAL LONG-TERM DEBT

A summary of long-term debt is as follows:

	Balance July 1, <u>1995</u>	<u>Issued</u>	<u>Retired</u>	Balance June 30, <u>1996</u>
Capital Outlay Notes, 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.	\$ 65,284	\$	\$ 5,212	\$ 60,072

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	8,022	288	8,310
	\$ <u>60,072</u>	\$ <u>14,718</u>	\$ <u>74,790</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
SPECIAL REVENUE FUND - STATE STREET AID
JUNE 30, 1996

Balance Sheet

<u>Assets</u>		
Cash	\$	<u>1,973</u>
 <u>Fund Equity</u>		
Unreserved	\$	<u>1,973</u>

Statement of Revenue, Expenditures
and Changes in Fund Equity
Year Ended June 30, 1996

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Revenue</u>			
State of Tennessee State Street Aid	\$ 26,042	\$ 25,000	\$ 1,042
 <u>Expenditures</u>			
Streets - repairs and maintenance	39,948	40,000	52
 <u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>	<u>(13,906)</u>	<u>(15,000)</u>	<u>1,094</u>
Fund Equity - July 1, 1995	15,879	15,879	
Fund Equity - June 30, 1996	\$ <u>1,973</u>	\$ <u>879</u>	\$ <u>1,094</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, 1996

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUE</u>			
<u>Taxes</u>			
Property	\$ 18,958	\$ 18,000	\$ 958
Privilege	200	1,500	(1,300)
Wholesale beer	12,325	10,000	2,325
Local sales tax	19,825	20,000	(175)
Penalties and interest	<u>2,523</u>	<u> </u>	<u>2,523</u>
<u>Total Taxes</u>	<u>53,831</u>	<u>49,500</u>	<u>4,331</u>
<u>Intergovernmental Revenue</u>			
Payments in lieu of taxes	4,885	5,200	(315)
State of Tennessee - sales tax	49,296	49,000	296
State of Tennessee - beer tax	466	450	16
State of Tennessee - street and transportation	2,411	2,350	61
State of Tennessee - income tax	<u>10,324</u>	<u>13,000</u>	<u>(2,676)</u>
<u>Total Intergovernmental Revenue</u>	<u>67,382</u>	<u>70,000</u>	<u>(2,618)</u>
<u>Other Income</u>			
Interest	18,327	10,000	8,327
Other	<u> </u>	<u>200</u>	<u>(200)</u>
<u>Total Other Income</u>	<u>18,327</u>	<u>10,200</u>	<u>8,127</u>
<u>Total Revenue</u>	<u>\$ 139,540</u>	<u>\$ 129,700</u>	<u>\$ 9,840</u>

See notes to financial statements.

	<u>Actual</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
<u>EXPENDITURES</u>			
<u>General Government</u>			
Office supplies	\$ 552	\$ 850	\$ 298
Legal fees	2,125	5,000	2,875
Auditing fee	2,000	2,000	-0-
Bank charges	2	50	48
City recorder	1,800	1,800	-0-
Advertising	576	1,000	424
Board member expense		500	500
Utilities	1,793	2,500	707
Memberships and publications	455	400	(55)
Insurance	3,003	3,000	(3)
Election expense	1,150	1,500	350
Telephone	706	1,000	294
Maintenance and repairs	2,545	1,750	(795)
Trustee fees and commissions	815	1,000	185
Building improvements	2,063	4,600	2,537
Grants, contributions, etc.		250	250
Other	125	550	425
Street repairs and maintenance	2,523	32,350	29,827
Parks and recreation	31,685	30,000	(1,685)
Fixed assets	1,450	5,000	3,550
Privilege tax expenditures		1,500	1,500
Debt retirement	<u>8,311</u>	<u>8,400</u>	<u>89</u>
<u>Total General Government</u>	<u>63,679</u>	<u>105,000</u>	<u>41,321</u>
Excess of Revenue and Other Sources			
<u>Over (Under) Expenditures</u>	<u>75,861</u>	<u>24,700</u>	<u>51,161</u>
Fund Equity - July 1, 1995	273,625	273,625	-0-
Fund Equity - June 30, 1996	\$ <u>349,486</u>	\$ <u>298,325</u>	\$ <u>51,161</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1996

General Fixed Assets

Furniture and equipment	\$ 4,930
Buildings	70,832
Land and improvements	<u>139,695</u>
<u>Total</u>	<u>\$ 215,457</u>

Investment in General Fixed Assets

From current revenue	\$ 165,457
From contributions	<u>50,000</u>
<u>Total</u>	<u>\$ 215,457</u>

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS - BY SOURCE
YEAR ENDED JUNE 30, 1996

	Furniture and Equipment	Buildings	Land and Improvements	Total
<u>General Fixed Assets</u> - July 1, 1995	\$ 3,480	\$ 68,769	\$ 108,010	\$ 180,259
Additions:				
General Fund	1,450	2,063	31,685	35,198
<u>General Fixed Assets</u> - June 30, 1996	<u>\$ 4,930</u>	<u>\$ 70,832</u>	<u>\$ 139,695</u>	<u>\$ 215,457</u>

<u>Function and Activity</u>	General Fixed Asset July 1, 1995	Additions	Deductions	General Fixed Assets June 30, 1996
General Government				
Administrative	\$ 72,249	\$ 3,513		\$ 75,762
Land and improvements	108,010	31,685		139,695
	<u>\$ 180,259</u>	<u>\$ 35,198</u>		<u>\$ 215,457</u>

.See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
JUNE 30, 1996

SCHEDULE OF INSURANCE

<u>Company</u>	<u>Period</u>	<u>Coverage</u>	
TML Risk Management Pool	6-30-95/96	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	 6-30-95/96	 Property	
		Fire and extended coverage	234,900
		Deductible	500

SCHEDULE OF PRINCIPAL OFFICERS

<u>Name of Official</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Amount of of Bond</u>
Cherry Jackson	Mayor	-0-	-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

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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

November 11, 1996

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, 1996, and have issued our report thereon dated November 11, 1996.

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, 1996, 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 purposes 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. Finding No. 2 of prior year has been corrected.

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

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TOWN OF THOMPSON'S STATION, TENNESSEE
FINDINGS AND RECOMMENDATIONS
JUNE 30, 1996

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.

*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

November 11, 1996

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, 1996, and have issued our report thereon dated November 11, 1996.

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.

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