

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 1999

Report
of
Examination

C O N T E N T S

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PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

400 MAIN STREET

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

TELEPHONE# 615-794-4313

DAN H. PARSONS, CPA
PATRICIA L. PARSONS, CPA
JOAN A. TYLER, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

December 2, 1999

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, 1999, 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, 1999, 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, 1999, 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 December 2, 1999, on our consideration of Town of Thompson's Station's internal controls over financial reporting and our tests on its compliance with certain provisions of laws, contracts and grants.

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.

Parsons and Associates

Parsons and Associates

TOWN OF THOMPSON'S STATION, TENNESSEE
BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	<u>Governmental Funds</u>		<u>Account Groups</u>		<u>Totals</u> (Memorandum Only)	
	<u>General Fund</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>June 30, 1999</u>	<u>June 30, 1998</u>
<u>ASSETS</u>						
Cash	\$ 815,099	\$ 89,856	\$	\$	\$ 904,955	\$ 696,507
Taxes receivable - property	2,153				2,153	1,350
Taxes receivable - other						1,957
Prepaid expenses						46
Furniture and equipment			5,415		5,415	5,415
Buildings			165,036		165,036	151,751
Land and improvements			304,515		304,515	292,603
Amount to be provided for Retirement of long-term debt				42,837	42,837	48,857
<u>Total</u>	<u>\$ 817,252</u>	<u>\$ 89,856</u>	<u>\$ 474,966</u>	<u>\$ 42,837</u>	<u>\$ 1,424,911</u>	<u>\$ 1,198,486</u>
<u>LIABILITIES</u>						
Note payable - bank	\$	\$	\$	\$ 42,837	\$ 42,837	\$ 48,857
Payroll taxes payable	226				226	225
<u>Total Liabilities</u>	<u>226</u>			<u>42,837</u>	<u>43,063</u>	<u>49,082</u>
<u>FUND EQUITY</u>						
Investment in General Fixed Assets			474,966		474,966	449,769
Fund Equity Unreserved	817,026	89,856			906,882	699,635
<u>Total</u>	<u>\$ 817,252</u>	<u>\$ 89,856</u>	<u>\$ 474,966</u>	<u>\$ 42,837</u>	<u>\$ 1,424,911</u>	<u>\$ 1,198,486</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, 1999

	<u>Governmental Funds</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<u>Revenue</u>			
Taxes	\$ 91,465	\$ 36,454	\$ 91,465
Intergovernmental revenue	109,828	36,454	146,282
Other income	45,413		45,413
<u>Total</u>	<u>246,706</u>	<u>36,454</u>	<u>283,160</u>
 <u>Expenditures</u>			
General government	72,910	3,003	75,913
<u>Total</u>	<u>72,910</u>	<u>3,003</u>	<u>75,913</u>
 <u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>	 <u>173,796</u>	 <u>33,451</u>	 <u>207,247</u>
 Fund Equity - July 1, 1998	 643,230	 56,405	 699,635
Fund Equity - June 30, 1999	\$ <u>817,026</u>	\$ <u>89,856</u>	\$ <u>906,882</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, 1999

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenue									
Taxes	\$ 91,465	\$ 61,500	\$ 29,965	\$	\$	\$	\$ 91,465	\$ 61,500	\$ 29,965
Intergovernmental revenue	109,828	94,600	15,228	36,454	33,000	3,454	146,282	127,600	18,682
Other income	45,413	20,400	25,013				45,413	20,400	25,013
Total	<u>246,706</u>	<u>176,500</u>	<u>70,206</u>	<u>36,454</u>	<u>33,000</u>	<u>3,454</u>	<u>283,160</u>	<u>209,500</u>	<u>73,660</u>
Expenditures									
General government	72,910	157,550	84,640				72,910	157,550	84,640
Streets				3,003	33,000	29,997	3,003	33,000	29,997
Total	<u>72,910</u>	<u>157,550</u>	<u>84,640</u>	<u>3,003</u>	<u>33,000</u>	<u>29,997</u>	<u>75,913</u>	<u>190,550</u>	<u>114,637</u>
Excess of Revenue and Other Sources Over (Under) Expenditures	173,796	18,950	154,846	33,451	-0-	33,451	207,247	18,950	188,297
Fund Equity - July 1, 1998	643,230	643,230	-0-	56,405	56,405	-0-	699,635	699,635	-0-
Fund Equity - June 30, 1999	\$ <u>817,026</u>	\$ <u>662,180</u>	\$ <u>154,846</u>	\$ <u>89,856</u>	\$ <u>56,405</u>	\$ <u>33,451</u>	\$ <u>906,882</u>	\$ <u>718,585</u>	\$ <u>188,297</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

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.

Based on the foregoing criteria in GASB pronouncements, there are no component units to be included in the accompanying financial statements.

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, 1999

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.

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.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

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.

NOTE 7 - REVENUE RECOGNITION - 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, 1999, delinquent taxes in the amount of \$618 have been turned over to attorneys for collection. Taxes receivable are as follows at June 30, 1999.

	Tax Rate	Assessment	Taxes Receivable			
			Balance 7-1-98	Assessment 1998	Payments And Adjustments	Balance 6-30-99
1994	.23	\$ 18,397	\$ 19	\$	\$	\$ 19
1995	.23	18,958	31			31
1996	.23	18,225	221		82	139
1997	.23	20,241	1,079		732	347
1998	.23			30,421	28,804	1,617
			\$ <u>1,350</u>	\$ <u>30,421</u>	\$ <u>29,618</u>	\$ <u>2,153</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1999

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		\$ 23,803	\$ 100,000
State of Tennessee Local Government Investment Pool	(1)	881,150	

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

NOTE 9 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets for the year ended June 30, 1999, follows:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1999</u>
Furniture and equipment	\$ 5,415	\$	\$	\$ 5,415
Buildings	151,751	13,285		165,036
Land and improvements	292,603	11,912		304,515
	<u>\$ 449,769</u>	<u>\$ 25,197</u>	<u>\$ -0-</u>	<u>\$ 474,966</u>

Additions to General Fixed Assets consisted of:

	<u>Buildings</u>	<u>Land and Improvements</u>	<u>Total</u>
Purchases	\$ <u>13,285</u>	\$ <u>11,912</u>	\$ <u>25,197</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 10 - CHANGES IN LONG-TERM DEBT

A summary of long-term debt is as follows:

	<u>Balance</u> <u>July 1,</u> <u>1998</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30,</u> <u>1999</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.	\$ <u>48,857</u>	\$	\$ <u>6,020</u>	\$ <u>42,837</u>

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>
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	8,018	292	8,310
	\$ <u>42,837</u>	\$ <u>7,023</u>	\$ <u>49,860</u>

NOTE 11 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

Town of Thompson's Station, Tennessee has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the Town's operations.

The Town has a financial reporting system. All testing and validation of the financial reporting system currently being used by the Town has been completed.

Williamson County collects property taxes for distribution to the Town. Williamson County is responsible for remediating this system and is solely responsible for any costs associated with the project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Town is or will be Year 2000 ready or that parties with the Town does business will be year 2000 ready.

TOWN OF THOMPSON'S STATION, TENNESSEE
SPECIAL REVENUE FUND - STATE STREET AID
JUNE 30, 1999

Balance Sheet

<u>Assets</u>		
Cash	\$	<u>89,856</u>
<u>Fund Equity</u>		
Unreserved	\$	<u>89,856</u>

STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY
YEAR ENDED JUNE 30, 1999

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue</u>			
State of Tennessee State Street Aid	\$ 36,454	\$ 33,000	\$ 3,454
<u>Expenditures</u>			
Streets - repairs and maintenance	3,003	33,000	29,997
Excess of Revenue and Other Sources Over (Under) Expenditures	33,451	-0-	33,451
Fund Equity - July 1, 1998	56,405	56,405	-0-
Fund Equity - June 30, 1999	\$ <u>89,856</u>	\$ <u>56,405</u>	\$ <u>33,451</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, 1999

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUE</u>			
<u>Taxes</u>			
Property	\$ 30,421	\$ 20,000	\$ 10,421
Privilege	6,852	1,100	5,752
Licenses and permits	200	400	(200)
Wholesale beer	15,208	15,000	208
Local sales tax	<u>38,784</u>	<u>25,000</u>	<u>13,784</u>
<u>Total Taxes</u>	<u>91,465</u>	<u>61,500</u>	<u>29,965</u>
<u>Intergovernmental Revenue</u>			
Payments in lieu of taxes	7,839	7,000	839
State of Tennessee - sales tax	75,764	69,000	6,764
State of Tennessee - beer tax	641	600	41
State of Tennessee - street and transportation	3,138	3,000	138
State of Tennessee - income tax	<u>22,446</u>	<u>15,000</u>	<u>7,446</u>
<u>Total Intergovernmental Revenue</u>	<u>109,828</u>	<u>94,600</u>	<u>15,228</u>
<u>Other Income</u>			
Interest	38,988	20,400	18,588
Other	<u>6,425</u>	<u>-0-</u>	<u>6,425</u>
<u>Total Other Income</u>	<u>45,413</u>	<u>20,400</u>	<u>25,013</u>
<u>Total Revenue</u>	<u>246,706</u>	<u>176,500</u>	<u>70,206</u>

See notes to financial statements.

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>EXPENDITURES</u>			
<u>General Government</u>			
Office supplies	\$ 598	\$ 1,400	\$ 802
Postage and freight	134	200	66
Legal fees	4,225	10,000	5,775
Auditing fee	2,050	2,100	50
Other professional fees	8,095	5,000	(3,095)
Bank charges	30	100	70
City recorder	1,800	1,800	-0-
Payroll taxes	165	200	35
Advertising	223	2,000	1,777
Board member expense	243	1,000	757
Utilities	2,581	4,000	1,419
Memberships and publications	500	1,000	500
Insurance	3,707	7,000	3,293
Election expense	1,350	1,500	150
Telephone	666	1,000	334
Maintenance and repairs	4,062	3,000	(1,062)
Animal control	780	750	(30)
Park improvements	-0-	10,000	10,000
Trustee fees and commissions	1,255	1,500	245
Building improvements	13,285	20,000	6,715
Other	1,118	4,000	2,882
Street repairs and maintenance	1,931	60,000	58,069
Parks and recreation	3,889	5,500	1,611
Fixed assets	11,912	5,000	(6,912)
Privilege tax expenditures	-0-	1,100	1,100
Debt retirement	8,311	8,400	89
<u>Total General Government</u>	<u>72,910</u>	<u>157,550</u>	<u>84,640</u>
Excess of Revenue and Other Sources			
<u>Over (Under) Expenditures</u>	173,796	18,950	154,846
Fund Equity - July 1, 1998	643,230	643,230	-0-
Fund Equity - June 30, 1999	\$ <u>817,026</u>	\$ <u>662,180</u>	\$ <u>154,846</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
 STATEMENT OF GENERAL FIXED ASSETS
 JUNE 30, 1999

<u>General Fixed Assets</u>		
Furniture and equipment		\$ 5,415
Buildings		165,036
Land and improvements		304,515
<u>Total</u>		<u>\$ 474,966</u>
 <u>Investment in General Fixed Assets</u>		
From current revenue		\$ 222,116
From contributions		252,850
<u>Total</u>		<u>\$ 474,966</u>

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS - BY SOURCE
 YEAR ENDED JUNE 30, 1999

	<u>Furniture And Equipment</u>	<u>Buildings</u>	<u>Land and Improvements</u>	<u>Total</u>
<u>General Fixed Assets</u> - July 1, 1998	\$ 5,415	\$ 151,751	\$ 292,603	\$ 449,769
Additions:				
General Fund		13,285	11,912	25,197
Donations				
<u>General Fixed Assets</u> - June 30, 1999	<u>\$ 5,415</u>	<u>\$ 165,036</u>	<u>\$ 304,515</u>	<u>\$ 474,966</u>

<u>Function and Activity</u>	<u>General Fixed Asset July 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>General Fixed Assets June 30, 1999</u>
General Government				
Administrative	\$ 77,166	\$		\$ 77,166
Land and improvements	372,603	25,197		397,800
	<u>\$ 449,769</u>	<u>\$ 25,197</u>		<u>\$ 474,966</u>

.See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
JUNE 30, 1999

SCHEDULE OF INSURANCE

<u>Company</u>	<u>Period</u>	<u>Coverage</u>	
TML Risk Management Pool	7-1-99/00	Commercial General Liability	
		Injury - per person	\$ 130,000
		- per occurrence	350,000
		Property damage -	
		per occurrence	50,000
		Each other loss -	
		per occurrence	500,000
TML Risk Management Pool	7-1-99/00	Property	
		Fire and extended coverage	320,058
		Deductible	500
TML Risk Management Pool	7-1-99/00	Workers Compensation	
		Bodily injury - by accident	130,000
		by disease	350,000

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-
John T. Neal	Vice Mayor	-0-	-0-
Sarah H. Benson	Alderman	-0-	-0-
Doug Goetsch	City Recorder	\$1,800	-0-

See notes to financial statements.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 2, 1999

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

We have audited the financial statements of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 2, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Thompson's Station, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the accompanying schedule of findings on page 18.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Thompson's Station, Tennessee's internal control over financial reporting 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 over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation or the internal control over financial reporting that, in our judgment, could adversely affect Town of Thompson's Station, Tennessee's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. 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 is a matter of public record.

Parsons and Associates

Parsons and Associates

TOWN OF THOMPSON'S STATION, TENNESSEE
FINDINGS AND RECOMMENDATIONS
JUNE 30, 1999

1. FINDING:

Finding No. 1 is a disclosed but uncorrected finding from prior years. The Town of Thompson's Station has one employee who serves as City Recorder. The employee 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.