

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 2003

**Report
of
Examination**

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

December 12, 2003.

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, 2003, 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 auditing standards generally accepted in the United States of America 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, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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, 2003, and the results of its operations of such funds for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	<u>Governmental Funds</u>		<u>Account Groups</u>		<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>General Fund</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
ASSETS						
Cash	\$ 775,455	\$ 45,383	\$	\$	\$ 820,838	\$ 721,999
Taxes receivable - property	38,342				38,342	35,947
Taxes receivable - other	47,594	6,294			53,888	35,013
Furniture and equipment			5,415		5,415	5,415
Buildings			331,196		331,196	331,196
Land and improvements			350,165		350,165	350,165
Amount to be provided for retirement of long-term debt				15,646	15,646	22,939
<u>Total</u>	<u>\$ 861,391</u>	<u>\$ 51,677</u>	<u>\$ 686,776</u>	<u>\$ 15,646</u>	<u>\$ 1,615,490</u>	<u>\$ 1,502,674</u>
LIABILITIES						
Note payable - bank	\$	\$	\$	\$ 15,646	\$ 15,646	\$ 22,939
Deferred revenue - taxes	35,560				35,560	33,646
Payroll taxes payable	343				343	319
<u>Total Liabilities</u>	<u>35,903</u>			<u>15,646</u>	<u>51,549</u>	<u>56,904</u>
FUND EQUITY						
Investment in General Fixed Assets			686,776		686,776	686,776
Fund Equity - Unreserved	825,488	51,677			877,165	758,994
<u>Total</u>	<u>\$ 861,391</u>	<u>\$ 51,677</u>	<u>\$ 686,776</u>	<u>\$ 15,646</u>	<u>\$ 1,615,490</u>	<u>\$ 1,502,674</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND EQUITY - ALL GOVERNMENTAL TYPES
 YEAR ENDED JUNE 30, 2003

	Governmental Funds		Totals (Memorandum Only)
	General	Special Revenue	
<u>Revenue</u>			
Taxes	\$ 94,807	\$	\$ 94,807
Intergovernmental revenue	117,992	35,881	153,873
Other income	17,743		17,743
<u>Total</u>	230,542	35,881	266,423
<u>Expenditures</u>			
General government	115,790	32,462	148,252
Excess of Revenue and Other <u>Sources Over (Under) Expenditures</u>	114,752	3,419	118,171
Fund Equity - July 1, 2002	710,736	48,258	758,994
Fund Equity - June 30, 2003	\$ <u>825,488</u>	\$ <u>51,677</u>	\$ <u>877,165</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, 2003

	General Fund			Special Revenue Fund			Totals (Memorandum Only)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenue									
Taxes	\$ 94,807	\$ 80,600	\$ 14,207	\$	\$	\$	\$ 94,807	\$ 80,600	\$ 14,207
Intergovernmental revenue	117,992	96,600	21,392	35,881	33,000	2,881	153,873	129,600	24,273
Other income	17,743	9,500	8,243				17,743	9,500	8,243
Total	<u>230,542</u>	<u>186,700</u>	<u>43,842</u>	<u>35,853</u>	<u>33,000</u>	<u>2,881</u>	<u>266,423</u>	<u>219,700</u>	<u>46,723</u>
Expenditures									
General government	115,790	186,700	70,910				115,790	186,700	70,910
Streets				32,462	33,000	538	32,462	33,000	538
Total	<u>115,790</u>	<u>186,700</u>	<u>70,910</u>	<u>32,462</u>	<u>33,000</u>	<u>538</u>	<u>148,252</u>	<u>219,700</u>	<u>71,448</u>
Excess of Revenue and Other Sources Over (Under) Expenditures	114,752	0	114,752	3,419	0	3,419	118,171	0	118,171
Fund Equity - July 1, 2002	710,736	710,736	0	48,258	48,258	0	758,994	758,994	-0-
Fund Equity - June 30, 2003	\$ <u>825,488</u>	\$ <u>710,736</u>	\$ <u>114,752</u>	\$ <u>51,677</u>	\$ <u>48,258</u>	\$ <u>3,419</u>	\$ <u>877,165</u>	\$ <u>758,994</u>	\$ <u>118,171</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

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, 2003

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. Revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales, gasoline and fuel, and state income taxes are recognized as revenue when in the hands of the intermediary collecting agencies. All other intergovernmental revenues are recorded when received. Expenditures are recognized when the liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

TOWN OF THOMPSON'S STATION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

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 - PROPERTY TAXES - REVENUE RECOGNITION

Property taxes are levied on October 1 and become due and payable on October 1. Taxes not paid by March 1 of the following year become delinquent and penalty and interest begins to accumulate on that date. Property taxes are recognized as revenue when they become measurable and available. Property taxes collected within sixty days after year end are considered to be measurable and available and are recognized as revenue at year end; taxes not collected within sixty days after year end are reported as deferred revenue.

Delinquent taxes of 2000 and older have been filed with the Williamson County Clerk and Master.

Year of Levy	Tax Rate	Assessment	Levy	Balance 6-30-02	Taxes Levied	Collections	Balance 6-30-03
1994	.23	\$ 7,998,690	\$ 18,397	\$ 19			\$ 19
1995	.23	8,242,612	18,958	8			8
1996	.23	7,923,914	18,225	0			0
1997	.23	8,800,435	20,241	32		32	0
1998	.23	13,226,521	30,421	44			44
1999	.18	17,718,887	31,894	33			33
2000	.18	18,196,665	32,754	640		226	414
2001	.15	21,708,577	32,563	1,525		1,355	170
2002	.15	22,430,667	33,646	33,646		31,552	2,094
2003	.15	23,706,670			35,560		35,560
				\$ 35,947	\$ 35,560	\$ 33,165	\$ 38,342

TOWN OF THOMPSON'S STATION, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; damage to, destruction and theft of assets, errors, and omissions and natural disasters for which the Town carries commercial insurance. There have been no reductions in coverage from the prior year and no settlements which would have exceeded the coverage in the past three years.

NOTE 9 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets for the year ended June 30, 2003, follows:

	Balance July 1, <u>2002</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2003</u>
Furniture and equipment	\$ 5,415	\$	\$	\$ 5,415
Buildings	331,196			331,196
Land and improvements	<u>350,165</u>			<u>350,165</u>
	\$ <u>686,776</u>	\$	\$	\$ <u>686,776</u>

NOTE 10 - DEPOSITS

At year end, the carrying amount of the Town's deposits was \$820,838 and the bank balance was \$828,345.

The financial institutions are members of the Tennessee Bank Collateral Pool. The deposits are insured by the Collateral Pool.

NOTE 11 - CHANGES IN LONG-TERM DEBT

A summary of long-term debt is as follows:

	Balance July 1, <u>2002</u>	<u>Issued</u>	<u>Retired</u>	Balance June 30, <u>2003</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>22,939</u>	\$	\$ <u>7,293</u>	\$ <u>15,646</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>
2004	\$ 7,639	\$ 671	\$ 8,310
2005	<u>8,007</u>	<u>303</u>	<u>8,310</u>
	\$ <u>15,646</u>	\$ <u>974</u>	\$ <u>16,620</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
SPECIAL REVENUE FUND - STATE STREET AID
JUNE 30, 2003

Balance Sheet

<u>Assets</u>		
Cash		\$ 45,383
Taxes receivable		<u>6,294</u>
		\$ <u>51,677</u>
 <u>Fund Equity</u>		
Unreserved		\$ <u>51,677</u>

Statement of Revenue, Expenditures
And Changes in Fund Equity
Year Ended June 30, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>Revenue</u>			
State of Tennessee State Street Aid	\$ 35,881	\$ 33,000	\$ 2,881
<u>Expenditures</u>			
Streets - repairs and maintenance	32,462	33,000	538
<u>Excess of Revenue and Other Sources</u> <u>Over (Under) Expenditures</u>	<u>3,419</u>	<u>0</u>	<u>3,419</u>
Fund Equity - July 1, 2002	48,258	48,258	0
Fund Equity - June 30, 2003	\$ <u>51,677</u>	\$ <u>48,258</u>	\$ <u>3,419</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, 2003

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>REVENUE</u>			
<u>Taxes</u>			
Property	\$ 34,717	\$ 33,000	\$ 1,717
Privilege	618	500	118
Licenses and permits	100	100	0
Wholesale beer	27,039	22,000	5,039
Local sales tax - Trustee	32,134	25,000	7,134
Interest and penalty revenue	199	0	199
<u>Total Taxes</u>	<u>94,807</u>	<u>80,600</u>	<u>14,207</u>
<u>Intergovernmental Revenue</u>			
Payments in lieu of taxes	8,356	8,000	356
State of Tennessee - sales tax	77,515	75,000	2,515
State of Tennessee - beer tax	667	600	67
State of Tennessee - street and transportation	2,440	3,000	(560)
State of Tennessee - income tax	29,014	10,000	19,014
<u>Total Intergovernmental Revenue</u>	<u>117,992</u>	<u>96,600</u>	<u>21,392</u>
<u>Other Income</u>			
Interest	11,790	9,000	2,790
Other	5,953	500	5,453
<u>Total Other Income</u>	<u>17,743</u>	<u>9,500</u>	<u>8,243</u>
<u>Total Revenue</u>	<u>230,542</u>	<u>186,700</u>	<u>43,842</u>

See notes to financial statements.

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<u>EXPENDITURES</u>			
<u>General Government</u>			
Office supplies	\$ 989	\$ 1,500	\$ 511
Postage, freight and express charges	177	500	323
Professional fees - city attorney	13,229	15,000	1,771
Professional fees - auditor	2,400	2,400	0
Professional fees - other	5,708	5,000	(708)
Donations	0	500	500
Bank charges	10	100	90
Payroll - City Recorder	4,800	4,800	0
Payroll taxes	406	450	44
Publication of legal notices	185	2,000	1,815
Board member expenses	351	1,000	649
Utilities - electricity	7,415	8,000	585
Memberships and subscriptions	1,022	1,200	178
Insurance - property	6,349	7,000	651
Telephone expense	727	850	123
Maintenance and repairs - building	3,259	5,000	1,741
Animal control services	895	1,000	105
Park improvements	3,274	3,000	(274)
Trustee fees and commissions	1,302	1,500	198
Building improvements	2,800	10,000	7,200
Other expenses	1,000	1,000	0
Repairs and maintenance - street	40,186	88,500	48,314
Parks and recreation expense	10,564	8,000	(2,564)
Internet web site development	430	500	70
Election officials	0	3,000	3,000
Planning and mapping	0	1,000	1,000
Fixed assets acquired	0	5,000	5,000
Privilege tax expenditures - roads	0	500	500
Debt retirement	8,312	8,400	88
<u>Total General Government</u>	<u>115,790</u>	<u>186,700</u>	<u>70,910</u>
 Excess of Revenue and Other Sources Over (Under) Expenditures	 114,752	 0	 114,752
 Fund Equity - July 1, 2002	 710,736	 710,736	 0
 Fund Equity - June 30, 2003	 \$ <u>825,488</u>	 \$ <u>710,736</u>	 \$ <u>114,752</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
 STATEMENT OF GENERAL FIXED ASSETS
 JUNE 30, 2003

<u>General Fixed Assets</u>		
Furniture and equipment		\$ 5,415
Buildings		331,196
Land and improvements		<u>350,165</u>
<u>Total</u>		<u>\$ 686,776</u>
<u>Investment in General Fixed Assets</u>		
From current revenue		\$ 433,926
From contributions		<u>252,850</u>
<u>Total</u>		<u>\$ 686,776</u>

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS - BY SOURCE
 YEAR ENDED JUNE 30, 2003

	<u>Furniture And Equipment</u>	<u>Buildings</u>	<u>Land and Improvements</u>	<u>Total</u>
<u>General Fixed Assets</u> - July 1, 2002	\$ 5,415	\$ 331,196	\$ 350,165	\$ 686,776
Additions:				
General Fund	0	0	0	0
<u>General Fixed Assets</u> - June 30, 2003	<u>\$ 5,415</u>	<u>\$ 331,196</u>	<u>\$ 350,165</u>	<u>\$ 686,776</u>

<u>Function and Activity</u>	<u>General Fixed Asset July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>General Fixed Assets June 30, 2003</u>
General Government				
Administrative	\$ 77,166			\$ 77,166
Land and improvements	609,610			609,610
	<u>\$ 686,776</u>			<u>\$ 686,776</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
JUNE 30, 2003

SCHEDULE OF INSURANCE

<u>Company</u>	<u>Period</u>	<u>Coverage</u>	
TML Risk Management Pool	7-1-02/03	Commercial General Liability	
		Injury - per person	\$ 250,000
		- per occurrence	600,000
		Property damage -	
		per occurrence	85,000
		Each other loss -	
		per occurrence	1,000,000
TML Risk Management Pool	7-1-02/03	Property	
		Fire and extended coverage	714,022
		Deductible	500
TML Risk Management Pool	7-1-02/03	Workers Compensation	
		Bodily injury - by accident	250,000
		by disease	
		policy limit	600,000

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-	\$100,000
John T. Neal	Vice Mayor	-0-	100,000
Sarah H. Benson	Alderman	-0-	100,000
Doug Goetsch	City Recorder	\$4,800	100,000

See notes to financial statements.

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 12, 2003

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, 2003, and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 solely for the information and use of the management, Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Parsons and Associates

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TOWN OF THOMPSON'S STATION, TENNESSEE
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2003

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.