

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 2006

Report
of
Examination

C O N T E N T S

	<u>Pages</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet-Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets-Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds	16
Statement of Cash Flows-Proprietary Funds	17
Notes to the Financial Statements	18 - 22
Required Supplementary Information	
Budgetary Comparison Schedules	23 - 25
Supplementary Information	
Principal Officials Salaries and Surety Bonds	26
Other Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	27 - 28
Schedule of Findings and Recommendations	29

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INDEPENDENT AUDITOR'S REPORT

December 11, 2006

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Thompson's Station, Tennessee's 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 the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Town of Thompson's Station, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2006, on our consideration of Town of Thompson's Station's internal control over financial reporting and on our tests on its compliance with

certain provisions of laws, regulations, contracts, and grant agreements and other matters, The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 23 through 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Thompson's Station, Tennessee's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Parsons and Associates

Parsons and Associates

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2006

As management of the Town of Thompson's Station, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. Readers are encouraged to consider information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$1,773,459 (net assets). Of this amount, \$947,714 is considered unrestricted funds and may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net assets increased by \$314,753.
3. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$987,708, an increase of \$160,728 from the previous year. Approximately 88.3% of this total amount, or \$871,790 is available for spending at the government's discretion (unreserved fund balances).
4. At June 30, 2006 unreserved fund balance for the General Fund, the only government fund of the Town, was \$871,790 or 164.5% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Thompson's Station's basic financial statements. The Thompson's Station's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. These financial statements are designed to provide readers with a broad overview of the Town of Thompson's Station's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, licenses, and permits, and intergovernmental revenues (governmental activities) from other functions that are

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2006

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, codes, parks, and highways and streets. The business-type activity of the town includes wastewater services.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Thompson's Station, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Town-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Thompson's Station adopts an annual budget for its general fund.

Proprietary funds. The Town of Thompson's Station initiated a wastewater fund as an enterprise or proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the wastewater activity, which is also considered a major fund of the Town.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The original budget and amended budget appears on pages 23-25.

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town of Thompson's Station, assets exceeded liabilities by \$1,773,459 at the end of the most recent fiscal year.

TOWN OF THOMPSON'S STATION'S
NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Current and other assets	\$ 1,210,757	\$ 1,334,165	\$ 25,924	\$ 1,210,757	\$ 1,360,089	
Capital assets	<u>631,726</u>	<u>623,445</u>	<u>136,382</u>	<u>631,726</u>	<u>759,827</u>	
Total assets	<u>1,842,483</u>	<u>1,957,610</u>	<u>162,306</u>	<u>1,842,483</u>	<u>2,119,916</u>	
Long-term liabilities outstanding	0	0		0	0	
Other liabilities	<u>383,777</u>	<u>346,457</u>		<u>383,777</u>	<u>346,457</u>	
Total liabilities	<u>383,777</u>	<u>346,457</u>		<u>383,777</u>	<u>346,457</u>	
Net assets:						
Invested in capital assets, net of related debt	631,726	623,445	86,382	631,726	709,827	
Restricted for roads and streets	81,839	115,918		81,839	115,918	
Unrestricted	<u>745,141</u>	<u>871,790</u>	<u>75,924</u>	<u>745,141</u>	<u>947,714</u>	
Total net assets	<u>\$ 1,458,706</u>	<u>\$ 1,611,153</u>	<u>\$ 162,306</u>	<u>\$ 1,458,706</u>	<u>\$ 1,773,459</u>	

A significant portion of the Town's net assets, \$709,827 or (40%) reflects its investment in capital assets (for example- land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town of Thompson's Station's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At year-end, \$115,918 of the Town's net assets (6.54%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$947,714, may be used to meet the government's ongoing obligations to citizens and creditors

At the end of the current fiscal year, the Town of Thompson's Station is able to report a positive balance in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2006

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2006:

TOWN OF THOMPSON'S STATION'S
CHANGE IN NET ASSETS

	Governmental Activities		Business Activities		Total	
	2005	2006	2005	2006	2005	2006
Program revenues:						
Charges for service	\$ 0	\$ 355,975	\$	\$	\$	\$ 355,975
Operating grants & contributions	0	36,117				36,117
Capital grants & contributions	0		112,306			112,306
General revenues:						
Property taxes	38,417	43,926			38,417	43,926
Sales taxes	111,204	85,005			111,204	85,005
Intergovernmental taxes	18,148	133,235			18,148	133,235
Other taxes	39,900	45,864			39,900	45,864
Other	164,847				164,847	
Unrestricted investment earnings		40,573				40,573
Transfers		(50,000)	50,000			
Total general revenues	<u>372,516</u>	<u>690,695</u>	<u>162,306</u>		<u>372,516</u>	<u>853,001</u>
Expenses:						
General government	119,837	228,134			119,837	228,134
Codes		52,364				52,364
State Street Aid		2,038				2,038
Streets and roads	349,846	228,409			349,846	228,409
Parks	12,485	27,303			12,485	27,303
Capital outlay	4,994				4,994	
Interest	308				308	
Total expenses	<u>487,470</u>	<u>538,248</u>			<u>487,470</u>	<u>538,248</u>
Change in net assets	(114,954)	152,447	162,306		(114,954)	314,753
Net assets, beginning	1,573,660	1,458,706			1,573,660	1,458,706
Net assets, ending	<u>\$ 1,458,706</u>	<u>\$ 1,611,153</u>	<u>\$ 162,306</u>	<u>\$ 1,458,706</u>	<u>\$ 1,773,459</u>	

Governmental Activities. Governmental activities increased the Town of Thompson's Station's net assets by \$152,447. This increase is primarily due substantial increases in receipts of impact fees and sales tax revenues. Also expenses were less than anticipated for the year.

Business-Type Activities. Business-type activities increased the Town's net assets by \$162,306 due to the receipt of a capital grant and the lack of operating expenses during the first year of accountability.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Thompson's Station uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2006

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Thompson's Station's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town of Thompson's Station's governmental fund reported an ending fund balance of \$987,708, a increase in comparison with the prior year of \$160,728.

The general fund is the chief operating fund of the Town of Thompson's Station. At the end of the current fiscal year, unreserved fund balance for the general fund was \$871,790. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 164.5% of total general fund expenditures. The fund balance increased \$160,728 as a result of the current fiscal year operations.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sewer fund at the end of the year amounted to \$75,924. Since this is the first year of activity, there is no previous year to compare. Comparative information will be provided in the future as the information becomes available.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget were for receipts of impact fees and sales tax revenue. Budgeted expenses were increased primarily for street and road expenses.

Capital Asset and Debt Administration

Capital assets. The Town of Thompson's Station's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounted to \$759,827 (net of depreciation). This investment includes land, buildings, improvements, machinery, equipment and infrastructure.

Major capital asset events during the current fiscal year included the \$136,382 investment in the business-type activities.

Additional information on the Town of Thompson's Station's capital assets can be found in Note 4 on pages 21-22.

**TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2006**

**TOWN OF THOMPSON'S STATION'S
CAPITAL ASSETS
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land	\$ 350,165	\$ 350,165	\$	\$ 136,382	\$ 350,165	\$ 486,547
Buildings	<u>281,561</u>	<u>273,280</u>	<u></u>	<u></u>	<u>281,561</u>	<u>273,280</u>
Total Capital Assets	\$ <u>631,726</u>	\$ <u>623,445</u>	\$	\$ <u>136,382</u>	\$ <u>631,726</u>	\$ <u>759,827</u>

Long-term Debt. At the end of the fiscal year, the Town of Thompson's Station's total debt was \$0. The entire amount of the debt incurred over the past years was retired.

Economic Factors and Next Year's Budgets and Rates

The rapid growth the Town is currently experiencing makes the budget process exceptionally challenging. With new residential and commercial developments underway, significant increases in future revenues is likely. There will also be new demands for services for new residents and businesses which will increase expenditures as well. Precisely determining the timing of these revenues and expenditures is what makes budgeting difficult. Two new wastewater treatment facilities will be deeded to the Town in the next fiscal year. Billing and collection services will be initiated for customers of the treatment facilities. Additional staff will likely be needed in the near future to service the needs of the citizens of the Town.

Requests for Information

This financial report is designed to provide a general overview of the Town of Thompson's Station's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town of Thompson's Station, Office of the Town Recorder, P.O. Box 100, Thompson's Station, Tennessee 37179.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 1,095,965	\$ 14,405	\$ 1,110,370
Taxes receivable - property tax	44,881		44,881
Taxes receivable - other	72,345		72,345
Accounts receivable		61,519	61,519
Due from (to) other funds	50,000	(50,000)	0
Restricted assets:			
Cash - developers' bonds	70,974		70,974
Capital assets:			
Land and construction in progress	350,165	136,382	486,547
Other capital assets, net of depreciation	273,280		273,280
<u>Total</u>	<u>\$ 1,957,610</u>	<u>\$ 162,306</u>	<u>\$ 2,119,916</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 233,263	\$	\$ 233,263
Payroll taxes payable	10		10
Deferred revenue - taxes	42,210		42,210
Developers' bonds	<u>70,974</u>		<u>70,974</u>
<u>Total Liabilities</u>	<u>346,457</u>		<u>346,457</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	623,445	86,382	709,827
Reserved for roads and streets	115,918		115,918
Unreserved	<u>871,790</u>	<u>75,924</u>	<u>947,714</u>
<u>Total Net Assets</u>	<u>1,611,153</u>	<u>162,306</u>	<u>1,773,459</u>
 <u>Total</u>	 <u>\$ 1,957,610</u>	 <u>\$ 162,306</u>	 <u>\$ 2,119,916</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for <u>Services</u>	Operating Grants and <u>Contributions</u>	Capital grants and <u>Contributions</u>	Primary Government		
					<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental Activities							
General	\$ 228,134	\$ 221,496	\$	\$	\$(6,638)	\$	\$(6,638)
Codes	52,364	105,234			52,870		52,870
State Street Aid	2,038		36,117		34,079		34,079
Streets and roads	228,409				(228,409)		(228,409)
Parks	27,303	29,245			1,942		1,942
Total Governmental Activities	<u>538,248</u>	<u>355,975</u>	<u>36,117</u>		(146,156)		(146,156)
Business-type Activities							
Wastewater	<u>0</u>	<u>0</u>	<u>0</u>	<u>112,306</u>			
Total Business-type Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>112,306</u>		112,306	112,306
Total Primary Government	\$ <u>538,248</u>	\$ <u>355,975</u>	\$ <u>36,117</u>	\$ <u>112,306</u>	(145,156)	<u>112,306</u>	(33,850)
General Revenues							
Taxes:							
Property taxes					43,926		43,926
Sales taxes					85,005		85,005
Other taxes					45,864		45,864
Intergovernmental revenues not restricted to specific programs					133,235		133,235
Unrestricted investment earnings					40,573		40,573
Transfers					(50,000)	50,000	0
Total general revenues and transfers					<u>298,603</u>	<u>50,000</u>	<u>348,603</u>
Changes in net assets					152,447	162,306	314,753
Net assets - July 1, 2005					1,458,706	0	1,458,706
Net assets - June 30, 2006					<u>\$ 1,611,153</u>	<u>\$ 162,306</u>	<u>\$ 1,773,459</u>

See notes to financial statements

TOWN OF THOMPSON'S STATION, TENNESSEE
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2006

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,095,965
Taxes receivable - property tax	44,881
Taxes receivable - other	72,345
Due from other funds	50,000
Restricted assets:	
Cash - developers' bonds	70,974
 <u>Total</u>	 <u>\$ 1,334,165</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 233,263
Payroll taxes payable	10
Deferred revenue - taxes	42,210
Developers' bonds	70,974
<u>Total Liabilities</u>	<u>346,457</u>
 <u>FUND BALANCE</u>	
Fund Balance - Roads and Streets	115,918
Fund Balance - Unreserved	871,790
Total Fund Balance	987,708
 <u>Total</u>	 <u>\$ 1,334,165</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
RECONCILIATION OF BALANCE SHEET (GOVERNMENTAL FUNDS)
TO STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2006

Total balances: governmental fund balances	\$ 987,708
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$57,916.	623,445
Net assets of governmental activities	\$ <u>1,611,153</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

<u>REVENUES</u>	
Taxes	\$ 174,795
Licenses, permits and fees	344,329
Intergovernmental	169,352
Other	<u>52,219</u>
<u>Total Revenues</u>	<u>740,695</u>
<u>Expenditures</u>	
Current:	
General government	219,853
Codes	52,364
State Street Aid	2,038
Streets and roads	228,409
Parks	<u>27,303</u>
<u>Total Expenditures</u>	<u>529,967</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	210,728
Other Financial Sources (Uses)	
Transfers (out)	(50,000)
Net Changes in Fund Balances	<u>160,728</u>
Fund Balance - July 1, 2005	826,980
Fund Balance - June 30, 2006	\$ <u><u>987,708</u></u>

See notes to financial statement.

TOWN OF THOMPSON'S STATION, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT
OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net changes in fund balances - total government funds	\$ 160,728
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Depreciation expense	8,281
Change in net assets of governmental activities	\$ <u>152,447</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WASTEWATER
JUNE 30, 2006

<u>ASSETS</u>	
Cash	\$ 14,405
Account receivable	61,519
Capital assets: construction in progress	136,382
<u>Total</u>	<u>\$ 212,306</u>
 <u>LIABILITIES</u>	
Due to other funds	\$ <u>50,000</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	86,382
Unreserved	<u>75,924</u>
<u>Total Net Assets</u>	<u>162,306</u>
 <u>Total</u>	 <u>\$ 212,306</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS
PROPRIETARY FUND - WASTEWATER
YEAR ENDED JUNE 30, 2006

REVENUE

Operating expenses	\$ 0
Non-operating revenues (expenses)	0
Income (loss) before contributions and transfers	0
Capital contributions	112,306
Transfers in	50,000
Change in net assets	<u>162,306</u>
Net assets - July 1, 2005	0
Net assets - June 30, 2006	\$ <u>162,306</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - WASTEWATER
YEAR ENDED JUNE 30, 2006

Cash flows from operating activities	\$	0
Cash flows from noncapital financing activities		
Transfers in		50,000
Net cash provided (used) by noncapital financing activities		<u>50,000</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets		(136,382)
Proceeds from loan - General Fund		50,000
Contributions in aid of construction		50,787
Net cash provided (used) by capital and related financing activities		<u>(35,595)</u>
Cash flows from investing activities		0
Net increase (decrease) in cash and cash equivalents		14,405
Cash and cash equivalents - July 1, 2005		0
Cash and cash equivalents - June 30, 2006	\$	<u>14,405</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Thompson's Station, Tennessee, (the "Town"), located in Williamson County, Tennessee, was incorporated August 15, 1990, under the provisions of Section 6-1-202, etc. seq., of the 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 financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by GASB (Governmental Accounting Standards Board). The following is a summary of the significant accounting policies of the Town of Thompson's Station:

Reporting Entity

The Town's accompanying financial statements present the governmental units relevant to the operations of the Town. 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 government-wide financial statements, the statement of net assets and the statement of changes in net assets, report information on all the nonfiduciary activities of the Town. The statement of activities presents the amount of direct expenses of a given function that are offset by the related program revenues. The direct expenses are those that are clearly related to a specific function. Program revenues include charges to those who use, purchase and/or directly benefit from the services and/or goods provided by a given function. Taxes and other revenues not properly included in program revenues are reported as general revenues.

Based on criteria in GASB pronouncements, there are no component units to be included for which the Town is considered financially responsible.

Basis of Accounting and Basis of Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified basis of accounting. Under this method revenues are recognized when measurable and available. On this basis, the Town deems revenue to be available if the revenues are collectible within 60 days after the end of the close of the fiscal year.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Property taxes, sales taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are generally recorded when a liability is incurred, as in accrual accounting. Some expenditures (debt service expenditures, for example) are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

All governmental and business type activities and enterprise funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins unless those pronouncements conflict with GASB pronouncements.

The Town presents its governmental funds as follows:

The 'general fund' is the Town's primary operating fund. It includes all financial resources of the general government, except those required to be accounted for in other funds.

The 'state street aid fund' is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The 'proprietary fund' accounts for the operation, maintenance and development of the wastewater system.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and consist of demand deposits and investments in the Local Government Investment Pool of the State of Tennessee.

State statutes authorize the Town to invest in: (a) U S Government securities and obligations guaranteed by the U S Government; (b) deposits in state and federal chartered banks and savings and loan associations; and (c) Local Government Investment Pool of the State of Tennessee. Deposits in financial institutions are required by state statute to be secured by and collateralized by the institution. Collateral must meet certain requirements and must have a minimum market value equal to 105% of the value of the deposit balance in the financial institution less the amount insured by the Federal Depository Insurance Corporation (FDIC). These collateral requirements are not applicable for financial institutions participating in the State of Tennessee collateral pool.

The Local Government Investment Pool of the State of Tennessee operates in accordance with the appropriate state laws and regulations and the reported value of the pool is the same as the fair value of pool shares.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Receivables

Based on prior experience, officials of the Town of Thompson's Station believe an allowance for uncollectible receivables is not deemed necessary.

Capital Assets

Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Town as assets with an original and individual cost of \$5,000 or more and have an estimated useful life of more than one year. Purchased or constructed assets are recorded at cost; capital assets that are donated are recorded at their estimated fair value at the date of the donation. The Town elected not to capitalize retroactively its major general infrastructure (roads, sidewalks, bridges and similar assets). Such assets will be reported as new items are acquired and constructed in the future. Repairs and maintenance costs that do not significantly extend the useful life or increase the value of the asset are not capitalized.

Depreciation is recorded based on the straight-line method over the estimated useful life of the asset. The estimated useful life of the buildings is 40 years.

Compensated Absences

The Town has no liability for unpaid, accumulated annual leave and sick leave balances.

Fund Equity

In the fund financial statement, the governmental funds present reserves of fund balances that are not available for appropriations and/or legally restricted by a third-party for specific uses.

NOTE 2 - PROPERTY TAXES

The Town's property tax is levied for the current year on October 1 each year on the assessed value as of the previous January 1 for all real and personal property within the boundaries of the Town. Property taxes are secured by a statutory lien as of the original assessment date of January 1 and are an enforceable legal claim. Taxes may be paid during the period of October 1 through February 28 and become delinquent on March 1. Delinquent taxes of 2004 and older have been filed with the Williamson County Clerk and Master.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

A schedule of tax rates, assessments, levies and taxes are as follows:

Year Of Levy	Tax Rate	Assessment	Levy	Balance 6-30-05	Taxes Levied	Collections	Balance 6-30-06
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	0			0
1998	.23	13,226,521	30,421	12			12
1999	.18	17,718,887	31,894	1			1
2000	.18	18,196,665	32,754	300		17	283
2001	.15	21,708,577	32,563	378		22	356
2002	.15	22,430,667	33,646	158		35	123
2003	.15	23,805,330	35,708	264		140	124
2004	.15	24,379,331	36,141	787		476	311
2005	.15	29,179,400	43,679	40,061	3,618	42,245	1,434
2006	.103	40,981,000			<u>42,210</u>		<u>42,210</u>
				<u>\$ 41,988</u>	<u>\$ 45,828</u>	<u>\$ 42,935</u>	<u>\$ 44,881</u>

NOTE 3 - DEPOSITS

The Town's cash and cash equivalents, at June 30, 2006, were deposited in a financial institution which participates in the bank collateral pool administered by the Treasurer of the State of Tennessee. Collateral is required to secure these public funds equal to at least 105% of the average daily balance of public funds held. Collateral securities are pledged to the State Treasurer on behalf of the collateral pool. Securities pledged to protect these public funds are pledged in the aggregate rather than for each individual account. Participating financial institutions may be required to pay an assessment to cover any deficiency, if any. Under this assessment agreement, public fund balances covered by the pool are considered to be insured for purposes of credit risk disclosures.

A reconciliation of cash and cash equivalents as shown on the statement of net assets is as follows:

Carrying amounts of deposits	\$ 91,958
Deposits in State of Tennessee Local Government Investment Pool	<u>1,018,412</u>
Total	<u>\$ 1,110,370</u>

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
<u>Capital assets not being depreciated</u>				
Land	\$ 350,165	\$	\$	\$ 350,165
<u>Capital assets being depreciated</u>				
Building and improvements	331,196			331,196
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	49,635	8,281		57,916
Governmental activities capital assets, net	<u>\$ 631,726</u>	<u>\$ 8,281</u>		<u>\$ 623,445</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities - Wastewater				
Capital assets not being depreciation				
Construction in progress	\$ 0	\$ 136,382	\$	\$ 136,382
Business-type activities capital				
assets, net	<u>0</u>	<u>\$ 136,382</u>		<u>\$ 136,382</u>
<u>Depreciation expense was charged to</u>				
<u>functions as follows:</u>				
General Government		\$ <u>8,281</u>		

NOTE 5 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to, destruction and/or theft of assets, errors, and omissions, injuries to employees, and natural disasters. The Town maintains insurance coverage through the Tennessee Municipal League Risk Management Pool, covering each of those risk of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The Town pays a premium, receives coverage, and can make claims against the coverage. The Town meets the TML's guidelines and complies with its rules and regulations, including loss control requirements as well as its underwriting standards. Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. Management of the Town believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 6 - INTERFUND BALANCES AND ACTIVITY

Balances due from/to other funds at June 30, 2006, consist of the following:
\$50,000 Due to General Fund from Wastewater Fund representing a loan

NOTE 7 - TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds, at June 30, 2006 consist of the following:
\$50,000 From General Fund to Wastewater Fund to assist in wastewater system construction in progress.

NOTE 8 - CONSTRUCTION IN PROGRESS

The Town is constructing wastewater lines to connect a wastewater treatment system being built by a developer who will donate the system to the Town. The system is to be completed in late 2006.

TOWN OF THOMPSON'S STATION, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<u>Budgetary Fund Balance - July 1, 2005</u>	\$ 826,980	\$ 826,980	\$ 826,980	\$
<u>RESOURCES (Inflows)</u>				
<u>Taxes</u>				
Property	35,000	40,500	43,926	3,426
Franchise	0	2,800	2,817	17
Mixed drinks	0	0	59	59
Wholesale beer	24,000	30,000	41,808	11,808
Local sales tax - Trustee	30,000	65,000	85,005	20,005
Business tax	0	1,000	981	(19)
Interest and penalty revenue	0	0	199	199
<u>Total Taxes</u>	<u>89,000</u>	<u>139,300</u>	<u>174,795</u>	<u>35,495</u>
 <u>Licenses, Permits and Fees</u>				
Beer permits	0	250	500	250
Building permits	30,000	95,000	104,234	9,234
Fireworks permit	0	0	1,000	1,000
Review fees	30,000	58,000	72,652	14,652
Impact fees - park	2,000	16,000	17,599	1,599
Impact fees	13,000	124,000	146,869	22,869
Administrative fees	0	1,450	1,475	25
<u>Total Licenses, Permits and Fees</u>	<u>75,000</u>	<u>294,700</u>	<u>344,329</u>	<u>49,629</u>
 <u>Intergovernmental Revenue</u>				
Payments in lieu of taxes	8,000	8,000	9,327	1,327
State of Tennessee - sales tax	67,000	80,000	86,564	6,564
State of Tennessee - beer tax	500	500	638	138
State of Tennessee - street and transportation	30,000	30,000	36,117	6,117
State of Tennessee - income tax	6,000	9,500	33,848	24,348
State of Tennessee - gasoline and fuel tax	2,500	2,500	2,858	358
<u>Total Intergovernmental Revenue</u>	<u>114,000</u>	<u>130,500</u>	<u>169,352</u>	<u>38,852</u>
 <u>Other Income</u>				
Interest	5,000	26,500	40,573	14,073
Other	2,000	10,000	11,646	1,646
<u>Total Other Income</u>	<u>7,000</u>	<u>36,500</u>	<u>52,219</u>	<u>15,719</u>
 <u>Amounts Available for Appropriation</u>	 <u>1,111,980</u>	 <u>1,427,980</u>	 <u>1,567,675</u>	 <u>139,695</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>				
<u>General Government</u>				
Office supplies	\$ 7,705	\$ 5,000	\$ 5,006	\$(6)
Postage, freight and express charges	1,000	1,000	411	589
Printing, forms and stationery	2,500	2,500	2,412	88
Professional fees - legal	25,000	30,000	20,388	9,612
Professional fees - auditor	3,500	3,500	3,000	500
Professional fees - engineer	10,000	14,000	12,523	1,477
Professional fees - city planner	4,500	4,500	4,500	0
Professional fees - other	8,000	19,000	11,036	7,964
Donations	14,795	15,000	15,000	0
Bank charges	100	100	20	80
Salaries and wages	68,400	93,000	92,533	467
Payroll taxes	6,500	8,200	7,671	529
Publication of legal notices	2,500	2,500	2,010	490
Board member expenses	1,000	1,000	0	1,000
Election officials	0	5,000	0	5,000
Utilities	6,000	8,500	7,051	1,449
Memberships and subscriptions	2,000	2,000	1,117	883
Insurance	15,000	16,000	14,965	1,035
Telephone expense	2,000	2,500	1,848	652
Repairs and maintenance - building	10,000	5,000	4,604	396
Animal Control services	1,200	1,000	970	30
Trustee commission	1,500	2,000	1,625	375
Other expenses	1,000	1,000	275	725
Internet web site development	800	500	120	380
Planning and mapping	0	1,000	660	340
Fixed assets acquired	5,000	10,000	7,765	2,235
Recording and filing	0	1,000	648	352
Travel	0	1,000	294	706
Educational expense	0	2,000	1,401	599
<u>Total General Government</u>	<u>200,000</u>	<u>257,800</u>	<u>219,853</u>	<u>37,947</u>
 <u>Codes</u>				
Professional fees - building official	<u>15,000</u>	<u>60,000</u>	<u>52,364</u>	<u>7,636</u>
<u>Total Codes</u>	<u>15,000</u>	<u>60,000</u>	<u>52,364</u>	<u>7,636</u>
 <u>Fire</u>				
Impact fees expenditures - fire	<u>2,000</u>	<u>16,000</u>	<u>0</u>	<u>16,000</u>
<u>Total Fire</u>	<u>2,000</u>	<u>16,000</u>	<u>0</u>	<u>16,000</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>With Final Budget Positive (Negative)</u>
<u>CHARGES TO APPROPRIATIONS (Outflows) -</u>				
Continued				
<u>State Street Aid</u>				
Repairs - State Street Aid	\$ 30,000	\$ 30,000	\$ 2,038	\$ 27,962
<u>Total State Street Aid</u>	<u>30,000</u>	<u>30,000</u>	<u>2,038</u>	<u>27,962</u>
<u>Streets and Roads</u>				
Repairs and maintenance	10,000	288,200	228,409	59,791
Impact fees expenditures - roads	11,000	108,000	0	108,000
<u>Total Streets and Roads</u>	<u>21,000</u>	<u>396,200</u>	<u>228,409</u>	<u>167,791</u>
<u>Parks</u>				
Parks and recreation expenses	15,000	25,000	27,303	(2,303)
Impact fees expenditures - recreation	2,000	16,000	0	16,000
<u>Total Parks</u>	<u>17,000</u>	<u>41,000</u>	<u>27,303</u>	<u>13,697</u>
<u>Total Charges to Appropriations</u>	<u>285,000</u>	<u>801,000</u>	<u>529,967</u>	<u>271,033</u>
<u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>	0	(200,000)	210,728	410,728
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	0	(50,000)	(50,000)	0
<u>Net Change in Fund Balances</u>	<u>0</u>	<u>(250,000)</u>	<u>160,728</u>	<u>410,728</u>
Fund Balance - June 30, 2006	\$ <u>826,980</u>	\$ <u>576,980</u>	\$ <u>987,708</u>	\$ <u>410,728</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
JUNE 30, 2006

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
Sarah H. Benson	Vice Mayor	-0-	100,000
Corey Napier	Alderman	-0-	100,000
Greg Langeliers	Town Administrator	\$54,000	100,000
Doug Goetsch	Town Recorder	\$25,200	100,000

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
YEAR ENDED JUNE 30, 2005

December 11, 2006

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

We have audited the financial statements of the governmental activities and the business-type activities of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Town of Thompson's Station, Tennessee's basic financial statements and have issued our report thereon dated December 11, 2006. 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.

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 opinions on the financial statements and not to provide an opinion 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 initiate, 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 as Item 1.

A material weakness is a reportable 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 caused by error or fraud 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.

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 grant agreements, 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, according, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as Item 1.

This report is intended solely for the information and use of management, others in the organization, and the 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

Parsons and Associates

TOWN OF THOMPSON'S STATION, TENNESSEE
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2006

1. FINDING:

Finding No. 1 is a disclosed but uncorrected finding from prior years. The Town of Thompson's Station has three employees. One 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.

