

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 2007

Report  
of  
Examination

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

December 28, 2007

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, and budgetary information of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 2007, 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 opinions 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 *Governmental 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 the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and budgetary information of the Town of Thompson's Station, Tennessee, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America, and the respective budgetary comparisons for the General Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, on our consideration of the Town of Thompson's Station, Tennessee's internal control over financial reporting and on our tests of 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 assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 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, Tennessee 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, 2007**

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, 2007. 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 \$12,217,686 (net assets). Of this amount, \$1,987,936 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 \$10,444,227.
3. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$1,808,967, an increase of \$821,235 from the previous year. Approximately 93.14% of this total amount, or \$1,684,848 is available for spending at the government's discretion (unreserved fund balances).
4. At June 30, 2007 unreserved fund balance for the General Fund, the only government fund of the Town, was \$1,684,848 or 327.02% 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, 2007

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. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**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 maintains 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.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

**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.

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

**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 18-20.

**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 \$12,217,686 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>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
	Current and other assets	\$ 1,334,165	\$ 2,039,886	\$ 25,924	\$ 314,618	\$ 1,360,089
Capital assets	623,445	665,372	136,382	9,440,283	759,827	10,105,655
Total assets	<u>1,957,610</u>	<u>2,705,258</u>	<u>162,306</u>	<u>9,754,901</u>	<u>2,119,916</u>	<u>12,460,159</u>
Long-term liabilities outstanding	0	0	0	0	0	0
Other liabilities	346,457	230,943	0	11,530	346,457	242,473
Total liabilities	<u>346,457</u>	<u>230,943</u>	<u>0</u>	<u>11,530</u>	<u>346,457</u>	<u>242,473</u>
Net assets:						
Invested in capital assets	623,445	665,372	86,382	9,440,283	709,827	10,105,655
Restricted for roads and streets	115,918	124,095	0	0	115,918	124,095
Unrestricted	871,790	1,684,848	75,924	303,088	947,714	1,987,936
Total net assets	<u>\$ 1,611,153</u>	<u>\$ 2,474,315</u>	<u>\$ 162,306</u>	<u>\$ 9,743,371</u>	<u>\$ 1,773,459</u>	<u>\$ 12,217,686</u>

A significant portion of the Town's net assets, \$10,105,655 or (82.71%) 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. The Town of Thompson's Station's investment in capital assets is reported net of related debt and the town has no outstanding debt. It should be noted that the resources needed to repay any future debt issues must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At year-end, \$124,095 of the Town's net assets (1.02%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,987,936, 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 positive balances 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, 2007**

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2007:

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

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Program revenues:						
Charges for service	\$ 355,975	\$ 873,290	\$	\$ 34,234	\$ 355,975	\$ 907,524
Operating grants & contributions	36,117	36,046			36,117	36,046
Capital grants & contributions			112,306	9,696,297	112,306	9,696,297
General revenues:						
Property taxes	43,926	44,475			43,926	44,475
Sales taxes	85,005	107,906			85,005	107,906
Intergovernmental taxes	133,235	135,406			133,235	135,406
Other	45,864	73,927			45,864	73,927
Unrestricted investment earnings	40,573	65,392		8,582	40,573	73,974
Transfers	( 50,000)		50,000			
Total general revenues	<u>690,695</u>	<u>1,336,442</u>	<u>162,306</u>	<u>9,739,113</u>	<u>853,001</u>	<u>11,075,555</u>
Expenses:						
General government	228,134	377,657			228,134	377,657
Codes	52,364	30,866			52,364	30,866
State Street Aid	2,038	27,869			2,038	27,869
Streets and roads	228,409	19,012			228,409	19,012
Parks	27,303	17,876			27,303	17,876
Capital outlay						
Interest				158,048		158,048
Wastewater				158,048		158,048
Total expenses	<u>538,248</u>	<u>473,280</u>			<u>538,248</u>	<u>631,328</u>
Change in net assets	152,447	863,162	162,306	9,581,065	314,753	10,444,227
Net assets, beginning	1,458,706	1,611,153		162,306	1,458,706	1,773,459
Net assets, ending	<u>\$ 1,611,153</u>	<u>\$ 2,474,315</u>	<u>\$ 162,306</u>	<u>\$ 9,743,371</u>	<u>\$ 1,773,459</u>	<u>\$ 12,217,686</u>

**Governmental Activities.** Governmental activities increased the Town of Thompson's Station's net assets by \$863,162. This increase is primarily due to impact fees received for new development, as well as increased sales taxes generated by new businesses opening in the Town.

**Business-Type Activities.** Business-type activities increased the Town's net assets by \$9,581,065 primarily due to the donation of two new wastewater treatment facilities by developers, as well as new customers to the wastewater system.

**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, 2007

**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 \$1,808,943, an increase in comparison with the prior year of \$821,235.

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 \$1,684,848. 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 327.02% of total general fund expenditures. The fund balance increased \$821,235 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 wastewater fund at the end of the year amounted to \$303,088. The wastewater fund has an increase in net assets for the year of \$9,581,065. Factors concerning the financial position of this fund have already been addressed in the discussion of the Town's business-type activity.

#### General Fund Budgetary Highlights

Differences between the original budget and final amended budget are listed below:

1. Reduction of budgeted impact fees by \$50,000.
2. Increase in budgeted franchise fee income by \$9,000.
3. Minor adjustments to appropriations totaling a budgeted increase of \$3,000.

#### **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, 2007 amounted to \$10,105,655 (net of depreciation). This investment includes land, buildings, improvements, machinery, equipment and infrastructure.

Major capital asset events during the current fiscal year included:

1. Donation of two wastewater treatment facilities by developers with a total value of \$9,355,000.
2. Purchase of two vehicles for use by Town employees with a total cost of \$49,829.
3. Purchase of new computer equipment costing \$6,788.

Additional information on the Town of Thompson's Station's capital assets can be found in Note 4 on pages 24-25.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

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

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land	\$ 350,165	\$ 350,165	\$	\$ 2,437,000	\$ 350,165	\$ 2,787,165
Buildings	273,280	265,001		186,022	273,280	451,023
Equipment		6,465		439,153		445,618
Vehicles		43,741				43,741
Construction in progress			136,382	10,681	136,382	10,681
Wastewater system				6,367,427		6,367,427
<b>Total Capital Assets</b>	<b>\$ 623,445</b>	<b>\$ 665,372</b>	<b>\$ 136,382</b>	<b>\$ 9,440,283</b>	<b>\$ 759,827</b>	<b>\$ 10,105,655</b>

**Long-term Debt.** At the end of the fiscal year, the Town of Thompson's Station's total debt was \$0.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Town of Thompson's Station's budget for the 2007-08 fiscal year.

1. The primary challenge in preparing the budget was the extent to which residential and non-residential development already approved would proceed, given the slowdown seen in the local and national real estate markets toward the end of 2007.
2. A related challenge was budgeting for what new development might occur in the upcoming year.
3. Balancing the appropriations for expected citizen needs with the known revenue sources was the primary basis for the budgetary decisions made for the upcoming year. A conservative estimate of the impact of new development on the revenue stream was used throughout the budget.

**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 Mayor, P.O. Box 100, Thompson's Station, Tennessee 37179.

TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 1,685,817	\$ 356,241	\$ 2,042,058
Taxes receivable - property tax	54,530		54,530
Taxes receivable - other	70,496		70,496
Accounts receivable		7,477	7,477
Due from (to) other funds	49,100	( 49,100)	0
Restricted assets:			
Cash - developers' bonds	44,839		44,839
Cash - county privilege tax	135,104		135,104
Capital assets:			
Land and construction in progress	350,165	2,447,681	2,797,846
Other capital assets, net of depreciation	315,207	6,992,602	7,307,809
<u>Total</u>	<u>\$ 2,705,258</u>	<u>\$ 9,754,901</u>	<u>\$ 12,460,159</u>
 <u>LIABILITIES</u>			
Accounts payable	\$	\$ 11,530	\$ 11,530
Deferred revenue - taxes	51,000		51,000
Developers' bonds	44,839		44,839
Privilege tax payable to county	135,104		135,104
<u>Total Liabilities</u>	<u>230,943</u>	<u>11,530</u>	<u>242,473</u>
 <u>NET ASSETS</u>			
Invested in capital assets	665,372	9,440,283	10,105,655
Reserved for roads and streets	124,095		124,095
Unreserved	1,684,848	303,088	1,987,936
<u>Total Net Assets</u>	<u>2,474,315</u>	<u>9,743,371</u>	<u>12,217,686</u>
 <u>Total</u>	<u>\$ 2,705,258</u>	<u>\$ 9,754,901</u>	<u>\$ 12,460,159</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
			Capital Grants and Contributions	Governmental Activities	Business- type Activities
Governmental Activities				\$	\$
General	\$ 377,657	\$ 581,155		203,498	203,498
Codes	30,866	239,039		208,173	208,173
State Street Aid	27,869		36,046	8,177	8,177
Streets and roads	19,012			( 19,012)	( 19,012)
Parks	17,876	53,096		35,220	35,220
Total Governmental Activities	<u>473,280</u>	<u>873,290</u>	<u>36,046</u>	<u>436,056</u>	<u>436,056</u>
Business-type Activities				9,572,483	9,572,483
Wastewater	158,048	34,234		9,696,297	9,696,297
Total Business-type Activities	<u>158,048</u>	<u>34,234</u>		<u>9,696,297</u>	<u>9,696,297</u>
Total Primary Government	<u>\$ 631,328</u>	<u>\$ 907,524</u>	<u>\$ 36,046</u>	<u>\$ 9,572,483</u>	<u>\$ 10,008,539</u>
General Revenues					
Taxes:					
Property taxes				44,475	44,475
Sales taxes				107,906	107,906
Other taxes				73,927	73,927
Intergovernmental revenues not restricted to specific programs				135,406	135,406
Unrestricted investment earnings				65,392	73,974
Total general revenues and transfers				<u>427,106</u>	<u>435,688</u>
Changes in net assets				863,162	10,444,227
Net assets - July 1, 2006				1,611,153	1,773,459
Net assets - June 30, 2007				<u>\$ 2,474,315</u>	<u>\$ 9,743,371</u>
					<u>\$ 12,217,686</u>

See notes to financial statements

TOWN OF THOMPSON'S STATION, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,685,817
Taxes receivable - property tax	54,530
Taxes receivable - other	70,496
Due from other funds	49,100
Restricted assets:	
Cash - developers' bonds	44,839
Cash - county privilege tax	135,104
<u>Total</u>	<u>\$ 2,039,886</u>
<u>LIABILITIES</u>	
Deferred revenue - taxes	\$ 51,000
Developers' bonds	44,839
Privilege tax payable to county	<u>135,104</u>
<u>Total Liabilities</u>	<u>230,943</u>
<u>FUND BALANCE</u>	
Fund Balance - Roads and Streets	124,095
Fund Balance - Unreserved	<u>1,684,848</u>
Total Fund Balance	<u>1,808,943</u>
<u>Total</u>	<u>\$ 2,039,886</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, 2007

Total balances: governmental fund balances \$ 1,808,943

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 \$72,606 665,372

Net assets of governmental activities \$ 2,474,315

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, 2007

<u>REVENUES</u>	
Taxes	\$ 226,308
Licenses, permits and fees	873,290
Intergovernmental	171,452
Other	65,392
<u>Total Revenues</u>	<u>1,336,442</u>
 <u>Expenditures</u>	
Current:	
General government	419,584
Codes	30,866
State Street Aid	27,869
Streets and roads	19,012
Parks	17,876
<u>Total Expenditures</u>	<u>515,207</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	821,235
Net Changes in Fund Balances	<u>821,235</u>
Fund Balance - July 1, 2006	987,708
Fund Balance - June 30, 2007	\$ <u>1,808,943</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, 2007

Net changes in fund balances - total government funds \$ 821,235

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:

Acquisition of capital assets	56,617
Depreciation expense	( 14,690)

Change in net assets of governmental activities \$ 863,162

See notes to financial statements.



TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND - WASTEWATER  
JUNE 30, 2007

ASSETS

<u>Current Assets</u>	\$ 356,241
Cash	7,477
Accounts receivable	<u>363,718</u>
<u>Total Current Assets</u>	
 <u>Capital Assets</u>	
Wastewater system, net of accumulated depreciation	<u>9,440,283</u>
 <u>Total Assets</u>	 \$ <u>9,804,001</u>

LIABILITIES

<u>Current Liabilities</u>	\$ 11,530
Account payable	49,100
Interfund payable	<u>60,630</u>
<u>Total Current Liabilities</u>	

NET ASSETS

Invested in Capital Assets	9,440,283
Unrestricted	<u>303,088</u>
<u>Total Net Assets</u>	<u>9,743,371</u>
 <u>Total Liabilities and Net Assets</u>	 \$ <u>9,804,001</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, 2007

<u>Revenue</u>	\$ 28,234
Charges to customers - wastewater	6,000
Rent	<u>34,234</u>
<u>Total Revenue</u>	
<u>Operating Expenses</u>	
Supply and Operations	2,850
Repairs and maintenance	1,250
Permits and licenses	100
Testing	9,489
Utilities	36,000
Plant oversight	8,905
Professional fees	<u>58,594</u>
<u>Total Supply and Operations</u>	
Administrative and General	<u>4,935</u>
Professional fees	
Depreciation	<u>94,519</u>
<u>Total Operating Expenses</u>	<u>158,048</u>
<u>Operating Income (Loss)</u>	( 123,814)
<u>Non-Operating Income</u>	8,582
Interest income	41,297
Tap fees	<u>49,879</u>
<u>Total Non-operating Income</u>	
<u>Net Income (Loss) before Capital Contributions</u>	( 73,935)
<u>Capital Contributions</u>	9,655,000
<u>Change in Net Assets</u>	<u>9,581,065</u>
Net Assets - July 1, 2006	162,306
Net Assets - June 30, 2007	\$ <u>9,743,371</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - WASTEWATER  
YEAR ENDED JUNE 30, 2007

<u>Cash Flows from Operating Activities</u>	\$ 88,276
Receipts from customers	( 51,999)
Payments to suppliers for goods and services	<u>36,277</u>
Net cash provided (used) by operating activities	
 <u>Cash Flows from Capital and Related Financing Activities</u>	 ( 43,420)
Additions to capital assets	41,297
Proceeds from tap fees	300,000
Capital contributions	( 900)
Payment on due to other funds	<u>296,977</u>
Net cash provided (used) for capital and related financing activities	
 <u>Cash Flows from Investing Activities</u>	 8,582
Interest income from cash and cash equivalents	<u>8,582</u>
Net cash provided (used) by investing activities	
 <u>Increase (Decrease) in Cash and Cash Equivalents</u>	 341,836
Cash and cash equivalents - July 1, 2006	14,405
Cash and cash equivalents - June 30, 2007	<u>\$ 356,241</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$(123,814)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: depreciation	94,519
Changes in assets and liabilities:	
Decrease (increase) in: receivables	54,042
Increase (decrease) in: accounts payable	<u>11,530</u>
	<u>\$ 36,277</u>

Non-cash Financing Activities

During the year ended June 30, 2007, developers donated sewer systems valued at \$9,355,000 to the Town of Thompson's Station, Tennessee Wastewater System.

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ACTUAL TO BUDGET  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Budgetary Fund Balance - July 1, 2006	\$ 987,708	\$ 987,708	\$ 987,708	\$ 0
<u>RESOURCES (Inflows)</u>				
<u>Taxes</u>				
Property	45,000	45,000	44,475	( 525)
Franchise		9,000	10,445	1,445
Wholesale beer	45,000	45,000	47,666	2,666
Local sales tax - Trustee	100,000	100,000	107,906	7,906
Business tax	15,000	15,000	15,574	574
Interest and penalty revenue			242	242
<u>Total Taxes</u>	<u>205,000</u>	<u>214,000</u>	<u>226,308</u>	<u>12,308</u>
 <u>Licenses, Permits and Fees</u>				
Beer permits		300	300	0
Building permits		275,000	238,739	( 36,261)
Review fees		125,000	166,014	41,014
Impact fees	600,000	550,000	455,288	( 94,712)
Rental - park		5,700	11,150	5,450
Administrative fees	351,300	1,000	1,799	799
<u>Total Licenses, Permits and Fees</u>	<u>951,300</u>	<u>957,000</u>	<u>873,290</u>	<u>( 83,710)</u>
 <u>Intergovernmental Revenue</u>				
Payments in lieu of taxes	8,000	8,000	10,647	2,647
State of Tennessee - sales tax	85,000	85,000	92,725	7,725
Mixed drink taxes	1,500	1,000	1,453	453
State of Tennessee - beer tax		500	689	189
State of Tennessee - street and transportation	30,000	30,000	36,046	6,046
State of Tennessee - income tax	10,000	10,000	27,061	17,061
State of Tennessee - gasoline and fuel tax	2,500	2,500	2,831	331
<u>Total Intergovernmental Revenue</u>	<u>137,000</u>	<u>137,000</u>	<u>171,452</u>	<u>34,452</u>
 <u>Other Income</u>				
Interest	40,000	40,000	63,826	23,826
Other	5,700		1,566	1,566
<u>Total Other Income</u>	<u>45,700</u>	<u>40,000</u>	<u>65,392</u>	<u>25,392</u>
 <u>Amounts Available for Appropriation</u>	<u>2,326,708</u>	<u>2,335,708</u>	<u>2,324,150</u>	<u>( 11,558)</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ACTUAL TO BUDGET  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2007

	<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	\$ 7,000	\$ 7,000	\$ 6,860	\$ 140
Postage, freight and express charges	2,000	2,000	802	1,198
Printing, forms and stationery	3,000	3,000	2,349	651
Professional fees - legal	35,000	35,000	20,474	14,526
Professional fees - auditor	3,800	3,800	3,000	800
Vehicle fuel	2,500	2,500	2,062	438
Vehicle repairs	1,000	1,000	202	798
Professional fees - other	34,500	34,500	8,389	26,111
Donations	22,000	22,000	0	22,000
Bank charges	100	0	0	0
Salaries and wages	221,000	221,000	220,435	565
Payroll taxes	17,500	17,500	17,283	217
Publication of legal notices	2,500	2,500	689	1,811
Board member expenses	1,000	1,000	0	1,000
Election officials	5,000	5,000	422	4,578
Utilities	8,500	8,500	7,889	611
Memberships and subscriptions	2,000	2,000	1,883	117
Insurance	48,500	48,500	35,810	12,690
Telephone expense	3,500	3,500	2,993	507
Repairs and maintenance - building	20,000	20,000	14,053	5,947
Animal Control services	1,200	1,200	1,020	180
Trustee commission	2,000	3,000	2,073	927
Other expenses	0	2,100	1,933	167
Internet web site development	500	500	384	116
Planning and mapping	2,000	2,000	0	2,000
Fixed assets acquired	75,000	75,000	62,047	12,953
Recording and filing	1,500	1,500	1,090	410
Travel	2,000	2,000	1,367	633
Educational expense	4,000	4,000	4,075	( 75)
<u>Total General Government</u>	<u>528,600</u>	<u>531,600</u>	<u>419,584</u>	<u>112,016</u>
 <u>Codes</u>				
Professional fees - building official	32,000	32,000	30,866	1,134
<u>Total Codes</u>	<u>32,000</u>	<u>32,000</u>	<u>30,866</u>	<u>1,134</u>
 <u>Fire</u>				
Privilege tax expenditures - fire	0	50,000	0	50,000
<u>Total Fire</u>	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ACTUAL TO BUDGET  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final <u>Budget</u> Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>				
Continued				
<u>State Street Aid</u>				
Repairs - State Street Aid	\$ 30,000	\$ 30,000	\$ 27,869	\$ 2,131
<u>Total State Street Aid</u>	<u>30,000</u>	<u>30,000</u>	<u>27,869</u>	<u>2,131</u>
<u>Streets and Roads</u>				
Repairs and maintenance	174,400	174,400	19,012	155,388
Privilege tax expenditures - roads	550,000	450,000	0	450,000
<u>Total Streets and Roads</u>	<u>724,400</u>	<u>624,400</u>	<u>19,012</u>	<u>605,388</u>
<u>Parks</u>				
Parks and recreation expenses	30,000	30,000	17,876	12,124
Privilege tax expenditures - recreation		50,000	0	50,000
<u>Total Parks</u>	<u>30,000</u>	<u>80,000</u>	<u>17,876</u>	<u>62,124</u>
<u>Total Charges to Appropriations</u>	<u>1,345,000</u>	<u>1,348,000</u>	<u>515,207</u>	<u>832,793</u>
Excess of Revenue and Other Sources <u>Over (Under) Expenditures</u>	294,000	0	821,235	821,235
<u>Net Change in Fund Balances</u>	<u>294,000</u>	<u>0</u>	<u>821,235</u>	<u>821,235</u>
Fund Balance - June 30, 2007	\$ <u>1,281,708</u>	\$ <u>987,708</u>	\$ <u>1,808,943</u>	\$ <u>821,235</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**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, 2007

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 includes amounts in demand deposits, interest bearing accounts and short-term investments maturing within three months or less.

Investments consist of short-term investments including certificates of deposits. These investments are reported at cost, which approximates market value.

**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.



**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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.

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 6-30-07
1997	.23	\$ 8,800,435	\$ 20,241	\$ 174	\$	\$	\$ 174
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	325			325
2001	.15	21,708,577	32,563	363			363
2002	.15	22,430,667	33,646	117			117
2003	.15	23,805,330	35,708	153			153
2004	.15	24,379,331	36,141	300			300
2005	.15	29,179,400	43,679	1,434	2,916	3,978	372
2006	.103	40,981,000	42,210	42,210		40,497	1,713
2007	.103	50,955,696	51,000		51,000		51,000
				\$ 45,089	\$ 53,916	\$ 44,475	\$ 54,530

**NOTE 3 - CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash \$ 2,042,058

State statutes authorize the City to invest funds in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the

TOWN OF THOMPSON'S STATION, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2007

underlying securities, and state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

Cash - At June 30, 2007, total demand deposits and certificates of deposit for the City were insured and/or collateralized in one of the following ways. Deposits and certificates of deposits are insured up to \$100,000 through the Federal Deposit Insurance Corporation (FDIC). All deposits and certificates were held in financial institutions, which are members of the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of the pool is not sufficient to cover a loss. The Town's deposits in financial institutions were entirely insured or collateralized at June 30, 2007.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
<u>Capital assets not being depreciated</u>				
Land	\$ 350,165	\$	\$	\$ 350,165
Total assets not being depreciated	<u>350,165</u>			<u>350,165</u>
<u>Capital assets being depreciated</u>				
Building and improvements	331,196			331,196
Furniture and equipment		6,788		6,788
Vehicles		49,829		49,829
Total assets being depreciated	<u>331,196</u>	<u>56,617</u>		<u>387,813</u>
Total capital assets	<u>681,361</u>	<u>56,617</u>		<u>737,978</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	( 57,916)	( 8,279)		( 66,195)
Furniture and equipment		( 323)		( 323)
Vehicles		( 6,088)		( 6,088)
Total accumulated depreciation	<u>( 57,916)</u>	<u>( 14,690)</u>		<u>( 72,606)</u>
Governmental activities capital assets, net	<u>\$ 623,446</u>	<u>\$ 41,927</u>		<u>\$ 665,372</u>

Depreciation expense was charged to functions/programs at June 30, 2007, as follows:

General government \$ 14,690

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities - Wastewater</b>				
Capital assets not being depreciation				
Land	\$	\$ 2,437,000	\$	\$ 2,437,000
Construction in progress	<u>136,382</u>	<u>42,954</u>	<u>168,655</u>	<u>10,681</u>
	<u>136,382</u>	<u>2,479,954</u>	<u>168,655</u>	<u>2,447,681</u>
Capital assets being depreciated				
Wastewater system		6,448,037		6,448,027
Building		188,628		188,628
Machinery and equipment		<u>450,466</u>		<u>450,466</u>
Total assets being depreciated		<u>7,087,121</u>		<u>7,087,121</u>
Total capital assets	<u>136,382</u>	<u>9,567,075</u>	<u>168,655</u>	<u>9,534,802</u>
Less accumulated depreciation for:				
Wastewater system		( 80,600)		( 80,600)
Building		( 2,606)		( 2,606)
Machinery and equipment		<u>( 11,313)</u>		<u>( 11,313)</u>
Total accumulated depreciation		<u>( 94,519)</u>		<u>( 94,519)</u>
Business-type Activities Capital Assets, net	\$ <u>136,382</u>	\$ <u>9,472,556</u>	\$ <u>168,655</u>	\$ <u>9,440,283</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.

The Town's management and their attorneys are not aware of any pending or threatened actions which would have a material adverse effect on the Town's accompanying financial statements.

**NOTE 6 - INTERFUND BALANCES AND ACTIVITY**

Balances due from/to other funds at June 30, 2007, consist of the following:  
\$49,100 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, 2007 consist of the following:  
\$900 From Wastewater Fund to General Fund.

TOWN OF THOMPSON'S STATION, TENNESSEE  
JUNE 30, 2007

SCHEDULE OF PRINCIPAL OFFICERS

<u>Name of Official</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Amount of Of Bond</u>
Leon C. Heron	Mayor	-0-	\$100,000
Sarah H. Benson	Alderman	-0-	100,000
Corey Napier	Alderman	-0-	100,000
Greg Langeliers	Town Administrator	\$70,000	100,000
Doug Goetsch	Town Recorder	\$42,500	100,000

See notes to financial statements.

**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**

December 28, 2007

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, the business-type activities, and each major fund and budgetary information of Town of Thompson's Station, Tennessee as of and for the year ended June 30, 2007, and have issued our report thereon dated December 28, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Thompson's Station, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (Finding 2006.1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### **Compliance and Other Matters**

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, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Thompson's Station, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of Thompson's Station, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Aldermen, others within the Town, and Tennessee Comptroller of the Treasury, 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, 2007

1. FINDING:

Finding No. 2006-1 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.

