

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 2009

Report  
of  
Examination

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

December 8, 2009

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, each major fund and the business-type activities, and budgetary information of Town of Thompson's Station, Tennessee, as of and for the year ended June 30, 2009, 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 *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, each major fund, and the business-type activities of the Town of Thompson's Station, Tennessee, as of June 30, 2009, and the respective changes in financial position and cash flows, if applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009, 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 an opinion 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, 2009**

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, 2009. 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 \$13,182,758 (net assets). Of this amount, \$1,492,969 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 \$219,435.
3. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$2,289,959, an increase of \$144,425 from the previous year. Approximately 92% of this total amount, or \$2,102,286 is available for spending at the government's discretion (unreserved fund balances).
4. At June 30, 2009 unreserved fund balance for the General Fund, the only government fund of the Town, was \$2,102,286 or 308% 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, 2009

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 two categories: governmental funds and proprietary 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.

**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, 2009**

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**

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$2,220,966	\$2,448,771	\$ 128,583	\$ 73,428	\$ 2,349,549	\$ 2,522,199
Capital assets	750,890	816,102	10,646,645	10,686,014	11,397,535	11,502,116
Total assets	<u>2,971,856</u>	<u>3,264,873</u>	<u>10,775,228</u>	<u>10,759,442</u>	<u>13,747,084</u>	<u>14,024,315</u>
Long-term liabilities outstanding	0	0	0	0	0	0
Other liabilities	75,432	158,812	708,329	682,745	783,761	841,557
Total liabilities	<u>75,432</u>	<u>158,812</u>	<u>708,329</u>	<u>682,745</u>	<u>783,761</u>	<u>841,557</u>
Net assets:						
Invested in capital assets	750,890	816,102	10,646,645	10,686,014	11,397,535	11,502,116
Restricted for roads and streets	152,214	187,673	0	0	152,214	187,673
Unrestricted	<u>1,993,320</u>	<u>2,102,286</u>	<u>( 579,746)</u>	<u>( 609,317)</u>	<u>1,413,574</u>	<u>1,492,969</u>
Total net assets	<u>\$2,896,424</u>	<u>\$3,106,061</u>	<u>\$10,066,899</u>	<u>\$10,076,697</u>	<u>\$12,963,323</u>	<u>\$13,182,758</u>

A significant portion of the Town's net assets, \$11,502,116 or (87%) 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, \$187,673 of the Town's net assets (8%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2,102,286, 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 two 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, 2009**

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2009:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Program revenues:						
Charges for service	\$ 553,436	\$ 175,479	\$ 123,803	\$ 172,769	\$ 677,239	\$ 348,248
Operating grants & contributions	37,214	45,425	22,500	62,485	59,714	107,910
Capital grants & contributions			504,987	123,713	504,987	123,713
General revenues:						
Property taxes	54,252	77,315			54,252	77,315
Sales taxes	115,940	249,034			115,940	249,034
Intergovernmental taxes	137,776	163,205			137,776	163,205
Other	87,703	94,359			87,703	94,359
Unrestricted investment earnings	<u>65,106</u>	<u>23,760</u>	<u>7,766</u>	<u>1,551</u>	<u>72,872</u>	<u>25,311</u>
Total general revenues	<u>1,051,427</u>	<u>828,577</u>	<u>659,056</u>	<u>360,518</u>	<u>1,710,483</u>	<u>1,189,095</u>
Expenses:						
General government	507,444	531,402			507,444	531,402
Codes						
State Street Aid	9,095	9,966			9,095	9,966
Streets and roads	84,501	67,273			84,501	67,273
Parks	28,278	10,299			28,278	10,299
Wastewater			<u>335,528</u>	<u>350,720</u>	<u>335,528</u>	<u>350,720</u>
Total expenses	<u>629,318</u>	<u>618,940</u>	<u>335,528</u>	<u>350,720</u>	<u>964,846</u>	<u>969,660</u>
Change in net assets	422,109	209,637	323,528	9,798	745,637	219,435
Net assets, beginning	2,474,315	2,896,424	9,743,371	10,066,899	12,217,686	12,963,323
Net assets, ending	\$ <u>2,896,424</u>	\$ <u>3,106,061</u>	\$ <u>10,066,899</u>	\$ <u>10,076,697</u>	\$ <u>12,963,323</u>	\$ <u>13,182,758</u>

**Governmental Activities.** Governmental activities increased the Town of Thompson's Station's net assets by \$209,637. This increase is primarily due to increased sales tax receipts due to new retail development that opened in 2009.

**Business-Type Activities.** Business-type activities increased the Town's net assets by \$9,798 primarily due to increased revenue generated from charges for wastewater treatment.

**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, 2009**

**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 \$2,289,959, an increase in comparison with the prior year of \$2,145,534.

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 \$2,102,286. 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 308% of total general fund expenditures. The fund balance increased \$144,425 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 a deficit of \$609,317. The wastewater fund has an increase in net assets for the year of \$9,798. 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 \$85,700.
2. Reduction in building permits of \$70,150.
3. Reduction of budgeted safer routes to schools by \$240,100.
4. Reduction of budgeted fixed assets acquired by \$130,000.
5. Reduction of budgeted streets and roads repairs and maintenance by \$353,550.

**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, 2009 amounted to \$356,073 (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 a portion of the wastewater collection system by developers with a total value of \$123,713.
2. Additions to town's buildings \$90,902.

Additional information on the Town of Thompson's Station's capital assets can be found in Note 4 on pages 25-26.

**TOWN OF THOMPSON'S STATION, TENNESSEE  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Land	\$ 350,165	\$ 350,165	\$ 2,512,000	\$ 2,512,000	\$ 2,862,165	\$ 2,862,165
Infrastructure	83,858	83,858			83,858	83,858
Buildings	331,196	422,098	861,943	864,943	1,193,139	1,287,041
Equipment	15,088	15,088	468,163	468,163	483,251	483,251
Vehicles	65,795	65,795			65,795	65,795
Construction in progress			19,886		19,886	
Wastewater system			<u>7,076,869</u>	<u>7,358,926</u>	<u>7,076,869</u>	<u>7,358,926</u>
Total Capital Assets	<u>\$ 846,102</u>	<u>\$ 937,004</u>	<u>\$ 10,938,861</u>	<u>\$ 11,204,032</u>	<u>\$ 11,784,963</u>	<u>\$ 12,141,036</u>

**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 2009-10 fiscal year.

1. The dramatic economic slowdown during 2009 made the budget projection for the coming year very difficult. A conservative view of new development was made for the purpose revenue projection.
2. A large new retail business opened in early 2009, but the actual increase in sales tax revenue was difficult to estimate, so a conservative approach was taken in budgeted sales tax revenue.
3. Expenditures were budgeted at a rate to maintain citizen services at the same level as in prior years.

**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, 2009

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 1,494,521	\$ 44,767	\$ 1,539,288
Taxes receivable - property tax	94,096		94,096
Taxes receivable - other	177,409		177,409
Accounts receivable		28,661	28,661
Due from (to) other funds	682,745	( 682,745)	0
Capital assets:			
Land	350,165	2,512,000	2,862,165
Other capital assets, net of depreciation	465,937	8,174,014	8,639,951
<u>Total</u>	<u>\$ 3,264,873</u>	<u>\$ 10,076,697</u>	<u>\$ 13,341,570</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 72,762	\$	\$ 72,762
Deferred revenue - taxes	86,050		86,050
<u>Total Liabilities</u>	<u>158,812</u>		<u>158,812</u>
 <u>NET ASSETS</u>			
Invested in capital assets	816,102	10,686,014	11,502,116
Reserved for roads and streets	187,673		187,673
Unreserved	2,102,286	( 609,317)	1,492,969
<u>Total Net Assets</u>	<u>3,106,061</u>	<u>10,076,697</u>	<u>13,182,758</u>
<u>Total</u>	<u>\$ 3,264,873</u>	<u>\$ 10,076,697</u>	<u>\$ 13,341,570</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General	\$ 531,402	\$ 168,650	\$ 45,425	\$	\$ ( 362,752)	\$ ( 362,752)	
State Street Aid	9,966				35,459	35,459	
Streets and roads	67,273				( 67,273)	( 67,273)	
Parks	10,299	6,829			( 3,470)	( 3,470)	
Total Governmental Activities	<u>618,940</u>	<u>175,479</u>	<u>45,425</u>		<u>( 398,036)</u>	<u>( 398,036)</u>	
Business-type Activities							
Wastewater	<u>350,720</u>	<u>172,769</u>		<u>186,198</u>		<u>8,247</u>	<u>8,247</u>
Total Primary Government	<u>\$ 969,660</u>	<u>\$ 348,248</u>	<u>\$ 45,425</u>	<u>\$ 186,198</u>	<u>( 398,036)</u>	<u>( 389,789)</u>	
General Revenues							
Taxes:							
Property taxes					77,315	77,315	
Sales taxes					249,034	249,034	
Other taxes					92,859	92,859	
Intergovernmental revenues not restricted to specific programs					163,205	163,205	
Unrestricted investment earnings					25,260	25,260	
Total general revenues					<u>607,673</u>	<u>609,224</u>	
Changes in net assets					209,637	9,798	219,435
Net assets - July 1, 2008					2,896,424	10,066,899	12,963,323
Net assets - June 30, 2009					<u>\$ 3,106,061</u>	<u>\$ 10,076,697</u>	<u>\$ 13,182,758</u>

See notes to financial statements

TOWN OF THOMPSON'S STATION, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,494,521
Taxes receivable - property tax	94,096
Taxes receivable - other	177,409
Due from other funds	682,745
<u>Total</u>	<u>\$ 2,448,771</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 72,762
Deferred revenue - taxes	<u>86,050</u>
<u>Total Liabilities</u>	<u>158,812</u>
<u>FUND BALANCE</u>	
Fund Balance - Roads and Streets	187,673
Fund Balance - Unreserved	<u>2,102,286</u>
<u>Total Fund Balance</u>	<u>2,289,959</u>
<u>Total</u>	<u>\$ 2,448,771</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, 2009

Total balances: governmental fund balances	\$ 2,289,959
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 \$120,902	816,102
Net assets of governmental activities	\$ <u>3,106,061</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, 2009

<u>REVENUES</u>	
Taxes	\$ 419,810
Licenses, permits and fees	175,479
Intergovernmental	208,630
Other	<u>24,658</u>
<u>Total Revenues</u>	<u>828,577</u>
 <u>Expenditures</u>	
Current:	
General government	598,710
State Street Aid	9,966
Streets and roads	65,177
Parks	<u>10,299</u>
<u>Total Expenditures</u>	<u>684,152</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 144,425
 Fund Balance - July 1, 2008	 2,145,534
 Fund Balance - June 30, 2009	 \$ <u>2,289,959</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, 2009

Net changes in fund balances - total government funds	\$ 144,425
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	90,902
Depreciation expense	( 25,690)
Change in net assets of governmental activities	\$ <u>209,637</u>

See notes to financial statements.



TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND - WASTEWATER  
JUNE 30, 2009

ASSETS

<u>Current Assets</u>	
Cash	\$ 44,767
Accounts receivable	<u>28,661</u>
<u>Total Current Assets</u>	<u>73,428</u>
<u>Capital Assets</u>	
Wastewater system, net of accumulated depreciation	<u>10,686,014</u>
<u>Total Assets</u>	<u>\$ 10,759,442</u>

LIABILITIES

<u>Current Liabilities</u>	
Interfund payable	\$ <u>682,745</u>

NET ASSETS

Invested in Capital Assets	10,686,014
Unrestricted	( <u>609,317</u> )
<u>Total Net Assets</u>	<u>10,076,697</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 10,759,442</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, 2009

<u>Revenue</u>	
Charges to customers - wastewater	\$ 170,967
Penalties	1,802
<u>Total Revenue</u>	<u>172,769</u>
 <u>Operating Expenses</u>	
<u>Supply and Operations</u>	
Salaries	71,476
Payroll taxes	3,855
Repairs and maintenance	238
Permits and licenses	4,050
Testing	712
Utilities	21,745
Professional fees	1,250
<u>Total Supply and Operations</u>	<u>103,326</u>
 <u>Administrative and General</u>	
Professional fees	1,500
Insurance	20,036
Bank fees	56
<u>Total Administrative and General</u>	<u>21,592</u>
 <u>Depreciation</u>	 <u>225,802</u>
 <u>Total Operating Expenses</u>	 <u>350,720</u>
 <u>Operating Income (Loss)</u>	 <u>( 177,951)</u>
 <u>Non-Operating Income</u>	
Interest income	1,551
Tap fees	62,485
<u>Total Non-operating Income</u>	<u>64,036</u>
 <u>Net Income (Loss) before Capital Contributions</u>	 <u>( 113,915)</u>
 <u>Capital Contributions</u>	 <u>123,713</u>
 <u>Change in Net Assets</u>	 <u>9,798</u>
 Net Assets - July 1, 2008	 10,066,899
 Net Assets - June 30, 2009	 \$ <u>10,076,697</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - WASTEWATER  
YEAR ENDED JUNE 30, 2009

<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 161,222
Salaries	( 71,476)
Payments to suppliers for goods and services	( 93,357)
Net cash provided (used) by operating activities	<u>( 3,611)</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Additions to capital assets	(265,170)
Proceeds from tap fees	62,485
Capital contributions	123,713
Transfer from other funds	14,331
Net cash provided (used) for capital and related financing activities	<u>( 64,641)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest income from cash and cash equivalents	<u>1,551</u>
Net cash provided (used) by investing activities	<u>1,551</u>
 <u>Increase (Decrease) in Cash and Cash Equivalents</u>	 ( 66,701)
 Cash and cash equivalents - July 1, 2008	 111,469
 Cash and cash equivalents - June 30, 2009	 \$ <u>44,768</u>

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

Operating income (loss)	\$(177,951)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: depreciation	225,802
Changes in assets and liabilities:	
Decrease (increase) in: receivables	( 11,547)
Increase (decrease) in: accounts payable	( 39,915)
	<u>\$ ( 3,611)</u>

Non-cash Financing Activities

During the year ended June 30, 2009, developers donated sewer systems valued at \$123,713 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, 2009

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
<u>Budgetary Fund Balance - July 1, 2008</u>	\$ <u>2,145,534</u>	\$ <u>2,145,534</u>	\$ <u>2,145,534</u>
<u>RESOURCES (Inflows)</u>			
<u>Taxes</u>			
Property	55,000	72,500	77,315
Franchise	0	14,200	14,168
Wholesale beer	90,000	60,000	60,854
Local sales tax - Trustee	200,000	207,000	249,034
Business tax	30,000	10,000	11,494
Privilege tax	0	0	6,343
Interest and penalty revenue	0	0	602
<u>Total Taxes</u>	<u>375,000</u>	<u>363,700</u>	<u>419,810</u>
<u>Licenses, Permits and Fees</u>			
Beer permits	0	0	800
Building permits	143,500	73,350	62,436
Review fees	0	0	9,886
Impact fees	180,000	94,300	94,312
Rental - park	0	0	6,829
Administrative fees	0	0	1,216
<u>Total Licenses, Permits and Fees</u>	<u>323,500</u>	<u>167,650</u>	<u>175,479</u>
<u>Intergovernmental Revenue</u>			
Payments in lieu of taxes	8,000	12,400	16,523
State of Tennessee - sales tax	105,000	105,000	113,028
Mixed drink taxes	0	0	944
State of Tennessee - beer tax	1,500	1,901	899
State of Tennessee - street and transportation	0	0	
	37,000	40,000	45,425
State of Tennessee - income tax	25,000	30,500	28,184
State of Tennessee - gasoline and fuel tax	2,500	3,500	3,627
Safe routes to schools	240,100	0	0
<u>Total Intergovernmental Revenue</u>	<u>419,100</u>	<u>193,300</u>	<u>208,630</u>
<u>Other Income</u>			
Interest	50,000	23,000	23,158
Other	4,300	11,100	1,500
<u>Total Other Income</u>	<u>54,300</u>	<u>34,100</u>	<u>24,658</u>
<u>Total Revenues</u>	<u>1,171,900</u>	<u>758,750</u>	<u>828,577</u>
<u>Amounts Available for Appropriation</u>	<u>3,317,434</u>	<u>2,904,284</u>	<u>2,974,111</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>			
<u>General Government</u>			
Office supplies	\$ 7,500	\$ 8,000	\$ 7,822
Postage, freight and express charges	2,000	1,500	1,393
Printing, forms and stationery	3,000	2,500	2,275
Professional fees - legal	35,000	35,000	33,505
Professional fees - auditor	3,500	3,500	3,500
Vehicle fuel	10,000	10,000	9,923
Vehicle repairs	1,000	800	662
Professional fees - other	24,000	24,000	22,633
Donations	25,000	25,000	0
Bank charges	100	100	20
Salaries and wages	290,000	290,000	291,273
Payroll taxes	24,000	27,000	25,787
Publication of legal notices	2,000	1,500	1,252
Election officials	0	5,500	5,508
Board member expenses	1,000	500	0
Uniforms	300	300	220
Utilities	9,000	9,700	9,116
Memberships and subscriptions	2,000	2,000	1,977
Insurance	72,500	71,000	65,472
Telephone expense	5,000	5,000	5,156
Repairs and maintenance - building	10,000	6,000	5,145
Animal Control services	1,100	1,100	1,080
Trustee commission	2,000	2,500	2,083
Other expenses	2,500	2,150	1,798
Internet web site development	1,000	1,000	81
Business taxes collections	1,800	1,800	954
Fixed assets acquired	235,000	105,000	95,872
Recording and filing	1,000	250	73
Travel	2,500	1,500	678
Educational expense	5,000	5,000	3,452
<u>Total General Government</u>	<u>778,800</u>	<u>649,200</u>	<u>598,710</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>			
Continued			
<u>State Street Aid</u>			
Repairs - State Street Aid	\$ 37,000	\$ 40,000	\$ 9,966
<u>Total State Street Aid</u>	<u>37,000</u>	<u>40,000</u>	<u>9,966</u>
<u>Streets and Roads</u>			
Repairs and maintenance	201,000	58,550	36,177
Safe routes to schools	<u>240,100</u>	<u>29,000</u>	<u>29,000</u>
<u>Total Streets and Roads</u>	<u>441,100</u>	<u>87,550</u>	<u>65,177</u>
<u>Parks</u>			
Repairs and supplies	<u>15,000</u>	<u>12,000</u>	<u>10,299</u>
<u>Total Parks</u>	<u>15,000</u>	<u>12,000</u>	<u>10,299</u>
<u>Total Expenditures</u>	<u>1,271,900</u>	<u>788,750</u>	<u>684,152</u>
Excess of Revenue and Other Sources <u>Over (Under) Expenditures</u>	( 100,000)	( 30,000)	144,425
<u>Net Change in Fund Balances</u>	<u>( 100,000)</u>	<u>( 30,000)</u>	<u>144,425</u>
Budgetary Fund Balance - June 30, 2009	\$ <u>2,045,534</u>	\$ <u>2,115,534</u>	\$ <u>2,289,959</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE  
STATEMENT OF BUDGETARY COMPARISON  
NOTE A  
JUNE 30, 2009

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General <u>Fund</u>
<b>Sources/Inflows of Resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,974,111
<b>Differences - budget to GAAP</b>	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(2,145,534)
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	 \$ <u>828,577</u>
 <b>Uses/Outflows of Resources</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 684,152
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	 \$ <u>684,152</u>

See notes to financial statements.

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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, 2009**

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 '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.

Depreciation is recorded based on the straight-line method over the estimated useful life of the asset. The estimated useful lives of the assets range from 5 to 40 years.

TOWN OF THOMPSON'S STATION, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

**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.

**Estimates**

Estimates and assumptions are used in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and reported revenue and expenses. Actual results could differ from these reported amounts.

**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 2006 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	Tax			Balance	Taxes		Balance
<u>Of Levy</u>	<u>Rate</u>	<u>Assessment</u>	<u>Levy</u>	<u>6-30-08</u>	<u>Levied</u>	<u>Collections</u>	<u>6-30-09</u>
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	283			283
2001	.15	21,708,577	32,563	353			353
2002	.15	22,430,667	33,646	107			107
2003	.15	23,805,330	35,708	123			123
2004	.15	24,379,331	36,141	278		142	136
2005	.15	29,179,400	43,679	156			156
2006	.103	40,981,000	42,210	353		319	34
2007	.103	50,955,696	51,000	2,043		1,524	519
2008	.103	71,312,942	77,258	73,380	3,878	70,937	6,321
2009	.103	83,599,533			86,050		86,050
				\$ <u>77,090</u>	\$ <u>89,928</u>	\$ <u>72,922</u>	\$ <u>94,096</u>

**NOTE 3 - CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash \$ 1,539,288

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, 2009

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, 2009, 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 \$250,000 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, 2009.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<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>				
Infrastructure	83,858			83,858
Building and improvements	331,196	90,902		422,098
Furniture and equipment	15,088			15,088
Vehicles	65,795			65,795
Total assets being depreciated	<u>495,937</u>	<u>90,902</u>		<u>586,839</u>
Total capital assets	<u>846,102</u>	<u>90,902</u>		<u>937,004</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	0	( 2,096)		( 2,096)
Buildings and improvements	( 74,475)	( 8,280)		( 82,755)
Furniture and equipment	( 1,491)	( 2,155)		( 3,646)
Vehicles	( 19,246)	( 13,159)		( 32,405)
Total accumulated depreciation	<u>( 95,212)</u>	<u>( 25,690)</u>		<u>(120,902)</u>
Governmental activities capital assets, net	\$ <u>750,890</u>	\$ <u>65,212</u>		\$ <u>816,102</u>

Depreciation expense was charged to functions/programs at June 30, 2009, as follows:

General government	\$ 23,594
Streets and roads	<u>2,096</u>
	\$ <u>25,690</u>

**TOWN OF THOMPSON'S STATION, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities - Wastewater</b>				
<b>Capital assets not being depreciation</b>				
Land	\$ 2,512,000	\$	\$	\$ 2,512,000
Construction in progress	<u>19,886</u>	<u>265,171</u>	<u>285,057</u>	<u>0</u>
	<u>2,531,886</u>	<u>265,171</u>	<u>285,057</u>	<u>2,512,000</u>
<b>Capital assets being depreciated</b>				
Wastewater system	7,076,869	282,057		7,358,926
Building	861,943	3,000		864,943
Machinery and equipment	<u>468,163</u>			<u>468,163</u>
Total assets being depreciated	<u>8,406,975</u>	<u>285,057</u>		<u>8,692,032</u>
<b>Total capital assets</b>	<u>10,938,861</u>	<u>550,228</u>	<u>285,057</u>	<u>11,204,032</u>
<b>Less accumulated depreciation for:</b>				
Wastewater system	( 241,801)	(177,624)		( 419,425)
Building	( 16,235)	( 22,046)		( 38,281)
Machinery and equipment	<u>( 34,180)</u>	<u>( 26,132)</u>		<u>( 60,312)</u>
Total accumulated depreciation	<u>( 292,216)</u>	<u>(225,802)</u>		<u>( 518,018)</u>
<b>Business-type Activities Capital Assets, net</b>	<u>\$ 10,646,645</u>	<u>\$ 324,426</u>	<u>\$ 285,057</u>	<u>\$ 10,686,014</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 - TRANSFERS TO/FROM OTHER FUNDS**

Transfers to/from other funds, at June 30, 2009 consist of the following:  
\$14,331 to Wastewater Fund from General Fund.

**NOTE 7 - INTERFUND BALANCES AND ACTIVITY**

Balances due from/to other funds at June 30, 2009, consist of the following:  
\$682,745 due to General Fund from Wastewater Fund representing a loan.

TOWN OF THOMPSON'S STATION, TENNESSEE  
JUNE 30, 2009

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	74,984	100,000
Doug Goetsch	Town Recorder	60,702	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 8, 2009

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, each major fund, and the business-type activities and budgetary information of Town of Thompson's Station, Tennessee as of and for the year ended June 30, 2009, and have issued our report thereon dated December 8, 2009. 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, 2009

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.