

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 2012

Report
of
Examination

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

January 28, 2013

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

We have audited the financial statements of the governmental activities and each major fund and the business-type activities of Town of Thompson's Station, Tennessee as of and for the year ended June 30, 2012, 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 stands generally accepted in the United States of American 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 and each major fund and the business-type activities of the Town Thompson's Station, Tennessee, as of June 30, 2012, and the respective changes in financial position and cash flows, if applicable, and the respective budgetary comparisons for the General Fund, Facilities Tax Fund, and Drug Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated January 28, 2013 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 4 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Thompson's Station, Tennessee's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Directory of Officials has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Parsons and Associates

Parsons and Associates

TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012

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, 2012. 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 \$14,665,425 (net assets). Of this amount, 3,407,877 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 \$1,229,266.
3. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$2,608,8339, an increase of \$656,732 for the year. Approximately 94% of this total amount, or \$2,449,117 is available for spending at the government's discretion (unassigned fund balances).
4. At June 30, 2012 unassigned fund balance for the General Fund, the only government fund of the Town, was \$2,449,117 or 218% 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, 2012

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, 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, 2012**

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 \$14,665,725 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>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
	Current and other assets	\$ 2,109,979	\$ 2,772,379	\$ 404,798	\$ 973,781	\$ 2,514,777
Capital assets	<u>862,822</u>	<u>1,107,093</u>	<u>10,220,157</u>	<u>9,990,733</u>	<u>11,082,979</u>	<u>11,097,826</u>
Total assets	<u>\$ 2,972,801</u>	<u>\$ 3,879,472</u>	<u>\$ 10,624,955</u>	<u>\$ 10,964,514</u>	<u>\$ 13,597,756</u>	<u>\$ 14,843,986</u>
Long-term liabilities outstanding	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other liabilities	<u>157,872</u>	<u>163,540</u>	<u>3,725</u>	<u>15,021</u>	<u>161,597</u>	<u>178,561</u>
Total liabilities	<u>157,872</u>	<u>163,540</u>	<u>3,725</u>	<u>15,021</u>	<u>161,597</u>	<u>178,561</u>
Net assets:						
Invested in capital assets	862,822	1,107,093	10,220,157	9,990,733	11,082,979	11,097,826
Restricted for roads and streets	163,548	159,722	0	0	163,548	159,722
Unrestricted	<u>1,788,559</u>	<u>2,449,117</u>	<u>401,073</u>	<u>958,760</u>	<u>2,189,632</u>	<u>3,407,877</u>
Total net assets	<u>\$2,814,929</u>	<u>\$ 3,715,932</u>	<u>\$ 10,621,230</u>	<u>\$ 10,949,493</u>	<u>\$13,436,159</u>	<u>\$ 14,665,425</u>

A significant portion of the Town's net assets, \$11,097,826 or (76%) 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, \$159,722 of the Town's net assets (1%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,407,877 (23%), 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 both 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, 2012

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2012:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Program revenues:						
Charges for service	\$ 119,720	\$ 233,979	\$ 244,686	\$ 284,772	\$ 364,406	\$ 518,751
Operating grants & contributions	51,551	61,316	24,000		75,551	61,316
Capital grants & contributions	4,885			587,100	4,885	587,100
General revenues:						
Property taxes	97,543	89,854			97,543	89,854
Sales taxes	545,121	743,884			545,121	743,884
Intergovernmental taxes	194,960	235,065			194,960	235,065
Other	162,305	408,573			162,305	408,573
Unrestricted investment earnings	4,334	3,816	690	561	5,024	4,377
Total general revenues	<u>1,180,419</u>	<u>1,776,487</u>	<u>269,376</u>	<u>872,433</u>	<u>1,449,795</u>	<u>2,648,920</u>
Expenses:						
General government	621,184	758,192			621,184	758,192
State Street Aid	77,760	65,142			77,760	65,142
Streets and roads	5,631	5,746			5,631	5,746
Parks	12,144	46,404			12,144	46,404
Wastewater			414,088	544,170	414,088	544,170
Total expenses	<u>716,719</u>	<u>875,484</u>	<u>414,088</u>	<u>544,170</u>	<u>1,130,807</u>	<u>1,419,654</u>
Transfer in (out)	(650,000)	0	650,000		0	0
Insurance proceeds			187,237		187,237	
Change in net assets	(186,300)	901,003	692,525	328,263	506,225	1,229,266
Net assets, beginning	3,001,229	2,814,929	9,928,705	10,621,230	12,929,934	13,436,159
Net assets, ending	<u>\$ 2,814,929</u>	<u>\$ 3,715,932</u>	<u>\$ 10,621,230</u>	<u>\$ 10,949,493</u>	<u>\$ 13,436,159</u>	<u>\$ 14,665,425</u>

Governmental Activities. Governmental activities increased the Town of Thompson's Station's net assets by \$901,003. This change is primarily due to increased sales tax receipts.

Business-Type Activities. Business-type activities increased the Town's net assets by \$328,263 primarily due to increased revenue generated from charges for wastewater treatment and contribution-in-aid of construction.

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, 2012

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 \$2,608,839, an increase in comparison with the prior year of \$1,952,107.

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 \$2,449,117. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 218% of total general fund expenditures. The fund balance decreased \$656,732 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 \$958,760. The wastewater fund had an increase in net assets for the year of \$328,263. 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. Increase in budgeted impact fees by \$60,000.
2. Increase in building permits of \$50,000.

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, 2012 amounted to \$11,097,826 (net of depreciation). This investment includes land, buildings, improvements, machinery, equipment and infrastructure.

Major capital asset events during the current fiscal year included:

1. Additions to buildings and land \$260,096.

Additional information on the Town of Thompson's Station's capital assets can be found in Note 5..

**TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012**

**TOWN OF THOMPSON'S STATION'S
CAPITAL ASSETS**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Land	\$ 350,165	\$ 551,725	\$ 2,512,000	\$ 2,512,000	\$ 2,862,165	\$ 3,063,725
Construction in progress	94,313	152,849			94,313	152,849
Infrastructure	83,858	83,858			83,858	83,858
Buildings	422,098	422,098	864,943	864,943	1,287,041	1,287,041
Equipment	23,861	31,828	468,163	471,663	492,024	503,491
Vehicles	65,795	65,795			65,795	65,795
Wastewater system			<u>7,358,926</u>	<u>7,358,926</u>	<u>7,358,926</u>	<u>7,358,926</u>
Total Capital Assets	<u>\$ 1,040,090</u>	<u>\$ 1,308,153</u>	<u>\$ 11,204,032</u>	<u>\$ 11,207,532</u>	<u>\$ 12,244,122</u>	<u>\$ 12,515,685</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 2012-13 fiscal year.

1. The slowly recovering economy during 2012 made the budget projection for the coming year very difficult. A conservative view of new development was made for the purpose revenue projection.
2. 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, 2012

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 2,536,301	\$ 888,364	\$ 3,424,665
Taxes receivable - property tax	99,703		99,703
Accounts receivable		38,400	38,400
Due from (to) other funds	(47,017)	47,017	0
Due from other governments	183,392		183,392
Capital assets:			
Assets not being depreciated: land	551,725	2,512,000	3,063,725
construction in progress	152,849		152,849
Other capital assets, net of depreciation	402,519	7,478,733	7,881,252
<u>Total</u>	<u>\$ 3,879,472</u>	<u>\$ 10,964,514</u>	<u>\$ 14,843,986</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 9,662	\$ 15,021	\$ 24,683
Deposits from developers	60,500		60,500
Deferred revenue - taxes	93,378		93,378
<u>Total Liabilities</u>	<u>163,540</u>	<u>15,021</u>	<u>178,561</u>
 <u>NET ASSETS</u>			
Invested in capital assets	1,107,093	9,990,733	11,097,826
Restricted for: State Street Aid	159,722		159,722
Unrestricted	2,449,117	958,760	3,407,877
<u>Total Net Assets</u>	<u>3,715,932</u>	<u>10,949,493</u>	<u>14,665,425</u>
 <u>Total</u>	 <u>\$ 3,879,472</u>	 <u>\$ 10,964,514</u>	 <u>\$ 14,843,986</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government
			Capital Grants and Contributions	Governmental Activities
				Business-type Activities
				Total
Governmental Activities				
General	\$ 758,192	\$ 228,915	\$	\$ (529,277)
State Street Aid	65,142			(3,826)
Streets and roads	5,746			(5,746)
Parks	46,404	5,064		(41,340)
Total Governmental Activities	<u>875,484</u>	<u>233,979</u>	<u>61,316</u>	<u>(580,189)</u>
Business-type Activities				
Wastewater	<u>544,170</u>	<u>284,772</u>	<u>587,100</u>	<u>327,702</u>
Total Primary Government	<u>\$ 1,419,654</u>	<u>\$ 518,751</u>	<u>\$ 587,100</u>	<u>(580,189)</u>
General Revenues				
Property taxes				89,854
Sales taxes				743,884
Beer and liquor tax				70,927
State income tax				92,942
Payment in lieu of taxes				45,847
Business and privilege taxes				25,349
Franchise tax				11,795
Unrestricted investment earnings				3,816
Insurance proceeds				333,975
Other				62,803
Total general revenues and transfers				<u>1,481,192</u>
Changes in net assets				<u>901,003</u>
Net assets - July 1, 2011				10,621,230
Net assets - June 30, 2012				<u>\$ 3,715,932</u>
				<u>\$ 10,949,493</u>
				<u>\$ 14,665,425</u>

See notes to financial statements

TOWN OF THOMPSON'S STATION, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash	\$ 2,536,301	\$ 2,536,301
Taxes receivable - property tax	99,703	99,703
Due from other governments	<u>183,392</u>	<u>183,392</u>
<u>Total</u>	<u>\$ 2,819,396</u>	<u>\$ 2,819,396</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 9,662	\$ 9,662
Deposits from developers	60,500	60,500
Due to other funds	47,017	47,017
Deferred revenue - taxes	<u>93,378</u>	<u>93,378</u>
<u>Total Liabilities</u>	<u>210,557</u>	<u>210,557</u>
 <u>FUND BALANCES</u>		
Restricted for State Street Aid	159,722	159,722
Unassigned	<u>2,449,117</u>	<u>2,449,117</u>
<u>Total Fund Balances</u>	<u>2,608,839</u>	<u>2,608,839</u>
 <u>Total</u>	 <u>\$ 2,819,396</u>	

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 \$201,057

1,107,093

Net assets of governmental activities

\$ 3,715,932

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, 2012

<u>REVENUES</u>	
Taxes	\$ 860,730
Licenses, permits and fees	570,128
Intergovernmental	282,556
Other	<u>63,073</u>
<u>Total Revenues</u>	<u>1,776,487</u>
 <u>Expenditures</u>	
Current:	
General government	1,000,866
State Street Aid	65,142
Streets and roads	7,343
Parks	<u>46,404</u>
<u>Total Expenditures</u>	<u>1,119,755</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 656,732
 Fund Balance - July 1, 2011	 1,952,107
 Fund Balance - June 30, 2012	 <u>\$ 2,608,839</u>

See notes to financial statement.

TOWN OF THOMPSON'S STATION, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENT FUNDS TO THE STATEMENT
OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net changes in fund balance - total government funds \$ 656,732

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	268,060
Depreciation expense	(23,789)

Change in net assets of governmental activities \$ 901,003

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WASTEWATER
JUNE 30, 2012

ASSETS

<u>Current Assets</u>	
Cash	\$ 888,364
Accounts receivable	38,400
Due from other funds	<u>47,017</u>
<u>Total Current Assets</u>	<u>973,781</u>
 <u>Capital Assets</u>	
Wastewater system, net of accumulated depreciation	<u>9,990,733</u>
<u>Total Assets</u>	<u>\$ 10,964,514</u>

LIABILITIES

<u>Current Liabilities</u>	
Accounts payable	\$ <u>15,021</u>
<u>Total Current Liabilities</u>	<u>15,021</u>

NET ASSETS

Invested in Capital Assets	9,990,733
Unrestricted	<u>958,760</u>
<u>Total Net Assets</u>	<u>10,949,493</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 10,964,514</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, 2012

<u>Revenue</u>	
Charges to customers - wastewater	\$ 281,524
Penalties	3,248
<u>Total Revenue</u>	<u>284,772</u>
<u>Operating Expenses</u>	
<u>Supply and Operations</u>	
Salaries	48,483
Payroll taxes	3,709
Repairs and maintenance	144,287
Permits and licenses	6,138
Supplies	165
Testing	813
Utilities	32,342
Professional fees	61,069
<u>Total Supply and Operations</u>	<u>297,006</u>
<u>Administrative and General</u>	
Professional fees	1,800
Insurance	12,383
Bank fees	57
<u>Total Administrative and General</u>	<u>14,240</u>
<u>Depreciation</u>	<u>232,924</u>
<u>Total Operating Expenses</u>	<u>544,170</u>
<u>Operating Income (Loss)</u>	<u>(259,398)</u>
<u>Non-Operating Income</u>	
Interest income	561
Tap fees	587,100
<u>Total Non-operating Income</u>	<u>587,661</u>
<u>Net Income</u>	328,263
Net Assets - July 1, 2011	10,621,230
Net Assets - June 30, 2012	\$ <u>10,949,493</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WASTEWATER
YEAR ENDED JUNE 30, 2012

<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 274,970
Salaries	(48,483)
Payments to suppliers for goods and services	(251,467)
Net cash provided (used) by operating activities	<u>(24,980)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from tap fees	587,100
Purchase of equipment	(3,500)
Increase in receivable	(45,508)
Net cash provided (used) for capital and related financing activities	<u>538,092</u>
<u>Cash Flows from Investing Activities</u>	
Interest income from cash and cash equivalents	<u>561</u>
Net cash provided (used) by investing activities	<u>561</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	513,673
Cash and cash equivalents - July 1, 2011	374,691
Cash and cash equivalents - June 30, 2012	<u>\$ 888,364</u>

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

Operating income (loss)	\$(259,398)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: depreciation	232,924
Changes in assets and liabilities:	
Decrease (increase) in: receivables	(9,802)
Increase (decrease) in: accounts payable	<u>11,296</u>
Net cash provided (used) by operating activities	<u>\$(24,980)</u>

Non-cash Financing Activities

During the year ended June 30, 2012 developers donated no sewer systems 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 BALANCE - ACTUAL TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>RESOURCES (Inflows)</u>			
<u>Taxes</u>			
Property	\$ 97,000	\$ 97,000	\$ 89,854
Franchise	15,000	15,000	11,795
Wholesale beer	95,000	95,000	91,865
Local sales tax - Trustee	500,000	500,000	594,917
Privilege tax			21,736
Business tax	36,000	36,000	49,191
Interest and penalty revenue			1,372
<u>Total Taxes</u>	<u>743,000</u>	<u>743,000</u>	<u>860,730</u>
<u>Licenses, Permits and Fees</u>			
Beer permits			500
Building permits	25,000	75,000	182,228
Review fees			48,161
Impact fees	40,000	100,000	333,975
Rental - park			5,064
Administrative fees			200
<u>Total Licenses, Permits and Fees</u>	<u>65,000</u>	<u>175,000</u>	<u>570,128</u>
<u>Intergovernmental Revenue</u>			
Payments in lieu of taxes	24,000	24,000	25,349
State of Tennessee - sales tax	140,000	140,000	148,967
State of Tennessee - beer tax	1,900	1,900	1,077
State of Tennessee - income tax	35,000	35,000	45,847
State of Tennessee - gasoline and fuel tax	62,500	62,500	61,316
Safe routes to schools	130,000	130,000	0
<u>Total Intergovernmental Revenue</u>	<u>393,400</u>	<u>393,400</u>	<u>282,556</u>
<u>Other Income</u>			
Interest	2,000	2,000	2,444
Other	15,300	13,300	60,629
<u>Total Other Income</u>	<u>17,300</u>	<u>15,300</u>	<u>63,073</u>
<u>Total Revenues</u>	<u>1,218,700</u>	<u>1,326,700</u>	<u>1,776,487</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	<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	\$ 7,000	\$ 7,000	\$ 7,179
Postage, freight and express charges	2,500	2,500	1,786
Printing, forms and stationery	5,000	5,000	4,493
Professional fees - legal	129,000	129,000	90,116
Vehicle fuel	8,000	13,000	11,762
Vehicle repairs	4,000	5,000	4,236
Donations	88,500	88,500	88,500
Bank charges	100	100	0
Salaries and wages	348,700	348,700	345,293
Payroll taxes	32,200	32,200	28,672
Publication of legal notices	2,000	2,000	1,606
Board member expenses	500	500	0
Utilities	11,300	11,300	10,459
Memberships and subscriptions	6,000	6,000	2,975
Insurance	103,500	103,500	94,665
Telephone expense	5,000	5,000	3,323
Repairs and maintenance - building	13,000	18,000	8,274
Animal Control services	1,200	1,200	1,080
Trustee commission	3,000	3,000	2,784
Other expenses	2,500	2,500	2,635
Fixed assets acquired	435,000	570,000	265,716
Recording and filing	500	500	395
Travel	1,000	1,000	1,242
Educational expense	6,000	6,000	3,775
Greenway and trails expense		30,000	19,900
<u>Total General Government</u>	<u>1,215,500</u>	<u>1,391,500</u>	<u>1,000,866</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	<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	\$ <u>213,000</u>	\$ <u>213,000</u>	\$ <u>65,142</u>
<u>Streets and Roads</u>			
Repairs and maintenance	63,700	63,700	3,649
Safe routes to schools	<u>130,000</u>	<u>130,000</u>	<u>3,694</u>
<u>Total Streets and Roads</u>	<u>193,700</u>	<u>193,700</u>	<u>7,343</u>
<u>Parks</u>			
Repairs and supplies	<u>20,000</u>	<u>40,000</u>	<u>46,404</u>
<u>Total Parks</u>			
<u>Total Expenditures before Transfers</u>	<u>1,642,200</u>	<u>1,838,200</u>	<u>1,119,755</u>
<u>Excess of Revenue and Other Sources Over (Under) Expenditures</u>	(423,500)	(511,500)	656,732
Budgetary Fund Equity - July 1, 2011	1,952,107	1,952,107	1,952,107
Budgetary Fund Equity - June 30, 2012	\$ <u>1,528,607</u>	\$ <u>1,440,607</u>	\$ <u>2,608,839</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012

Property taxes, sales taxes, licenses and interest associated with the current period are considered to be susceptible to accrual. Some expenditures (debt service, compensated absences, and claims and judgments expenditures) are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

The financial transactions of the Town are recorded in the general fund. The fund provides for a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The financial statements of the Town are prepared in accordance with generally accepted accounting principles. The Town's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Town does not apply FASB pronouncements or APB opinion issued after November 30, 1989. The Town reports the major governmental funds.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Basis of Accounting

The Town's budgetary process accounts for transactions using the modified-accrual basis of accounting, which is consistent with the basis used in the governmental fund statements. The government-wide statements are presented using accounting principles generally accepted in the United States of America.

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.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

Inventories

Inventories of materials and supplies of all funds of the Town were deemed to be immaterial and were not inventoried or reflected in the records. Inventory items are recorded as expenditures when purchased.

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.

Compensated Absences

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

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.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 2010 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 6-30-11	Taxes Levied	Collections	Balance 6-30-12
2000	.18	18,196,665	32,754	\$ 45	\$ 45	\$ 45	\$ 0
2001	.15	21,708,577	32,563	10		7	3
2002	.15	22,430,667	33,646	3		0	3
2003	.15	23,805,330	35,708	29		29	0
2004	.15	24,379,331	36,141	18		18	0
2005	.15	29,179,400	43,679	0		0	0
2006	.103	40,981,000	42,210	26		10	16
2007	.103	50,955,696	51,000	38		28	10
2008	.103	71,312,942	77,258	219		217	2
2009	.103	83,599,533	87,775	2,713		2,711	2
2010	.103	89,326,214	92,006	5,982		4,379	1,603
2011	.103	85,407,960	87,941	88,823	1,275	86,2002	3,898
2012	.103	90,659,000			<u>93,378</u>		<u>93,378</u>
				<u>\$ 97,606</u>	<u>\$ 94,653</u>	<u>\$ 93,644</u>	<u>\$ 98,915</u>

NOTE 3 - CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash \$3,424,665

State statutes authorize the Town 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 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, 2012, total demand deposits and certificates of deposit for the Town 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, 2012.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - WASTEWATER RATES AND CUSTOMERS

The active number of wastewater customers at June 30, 2012 was 271.

The following monthly service rates for residential and commercial customers were in effect at June 30, 2012.

Minimum bill	16.71 includes 1,000 gallons
Wastewater rates after minimum bill	6.72 per thousand gallons for 1,001-8,000 gallons
	8.49 per thousand gallons for 8,001-20,000 gallons
	10.64 per thousand gallons for 20,001 gallons and greater

Residential accounts are limited to a maximum of \$55.00 per month
Non-residential accounts have no maximum limit.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
<u>Capital assets not being depreciated</u>				
Land	\$ 350,165	\$ 201,560	\$	\$ 551,725
Construction in progress	<u>94,313</u>	<u>58,536</u>		<u>152,849</u>
Total assets not being depreciated	<u>444,478</u>	<u>260,096</u>		<u>704,574</u>
<u>Capital assets being depreciated</u>				
Infrastructure	83,858			83,858
Building and improvements	422,098			422,098
Furniture and equipment	23,861	7,964		31,825
Vehicles	<u>65,795</u>			<u>65,795</u>
Total assets being depreciated	<u>595,612</u>	<u>7,964</u>		<u>603,576</u>
Total capital assets	<u>1,040,090</u>	<u>268,060</u>		<u>1,308,150</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	(6,289)	(2,097)		(8,386)
Buildings and improvements	(103,860)	(10,552)		(114,412)
Furniture and equipment	(8,395)	(4,069)		(12,464)
Vehicles	<u>(58,724)</u>	<u>(7,071)</u>		<u>(65,795)</u>
Total accumulated depreciation	<u>(177,268)</u>	<u>(23,789)</u>		<u>(201,057)</u>
Governmental activities capital assets, net	\$ <u>862,822</u>	\$ <u>244,271</u>		\$ <u>1,107,093</u>
Depreciation expense was charged to functions/programs at June 30, 2012, as follows:				
General government		\$ 21,692		
Streets and roads		<u>2,097</u>		
		\$ <u>23,789</u>		
Business-Type Activities - Wastewater				
<u>Capital assets not being depreciated</u>				
Land	\$ <u>2,512,000</u>	\$	\$	\$ <u>2,512,000</u>
	<u>2,512,000</u>			<u>2,512,000</u>
<u>Capital assets being depreciated</u>				
Wastewater system	7,358,926			7,358,926
Building	864,943			864,943
Machinery and equipment	<u>468,163</u>	<u>3,500</u>		<u>471,663</u>
Total assets being depreciated	<u>8,692,032</u>	<u>3,500</u>		<u>8,695,532</u>
Total capital assets	<u>11,204,032</u>	<u>3,500</u>		<u>11,207,532</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Wastewater system	(788,775)	(184,675)		(973,450)
Building	(82,523)	(22,121)		(104,644)
Machinery and equipment	(112,577)	(26,128)		(138,705)
Total accumulated depreciation	(983,875)	(232,924)		(1,216,799)
Business-type Activities Capital Assets, net	\$ <u>10,220,157</u>	\$ <u>(229,424)</u>	\$	\$ <u>9,990,733</u>

NOTE 6 - 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 7 - INTERFUND BALANCES AND ACTIVITY

Balances due from/to other funds at June 30, 2012, consist of the following: \$47,017 due from General Fund to Wastewater Fund representing utility services.

NOTE 8 - FUND BALANCE

In accordance with GASB 54, the governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of fund balance are as follow:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, either ordinance or resolutions, of the Board of Mayor and Commissioners level of decision-making authority, are reported as committed fund balance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted or committed, are reported as assigned fund balance. The Board of Major and Commissioners have authorized the City Manager to assign fund balance up to certain amounts.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, if expenditures incurred for specific purposes have exceeded the amounts restricted, committed, or assigned to those purposes, those amounts are reported as a negative unassigned fund balance.

The Town's practice is to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

NOTE 9 - LITIGATION

The Town, from to time, is involved in various lawsuits arising in the ordinary course of its business. The Town maintains insurance coverage to minimize the risk of loss from threatened or pending litigation. It is management's opinion that any pending or threatened litigation will have no significant effect on the Town's results of operations.

PARSONS AND ASSOCIATES

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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

January 28, 2013

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, 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, 2012, and have issued our report thereon dated January 28, 2013. 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

Management of the Town of Thompson's Station is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Thompson's Station's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Thompson's Station'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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might

be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that might be considered to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying *schedule of findings and responses* (Finding 2006.1) that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Thompson's Station'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's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Town of Thompson's Station'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 REPOSSES
JUNE 30, 2012

1. **FINDING:** Finding No. 2006-1 is a disclosed but uncorrected finding from prior years. The Town of Thompson's Station has three administrative employees. One employee performs the duties of Town 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.