

TOWN OF THOMPSON'S STATION, TENNESSEE

JUNE 30, 2013

**Report
of
Examination**

C O N T E N T S

	<u>Pages</u>
Directory of Officials	1
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 8
Basic Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet-Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Assets-Proprietary Fund-Wastewater	13
Statement of Revenues, Expenses and Changes in Fund Net Assets-Proprietary Fund-Wastewater	14
Statement of Cash Flows-Proprietary Fund-Wastewater	15
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Actual to Budget – General Fund	16 - 18
Notes to Financial Statements	19 - 24
Other Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards Schedule of Findings and Responses	25 - 26 27

**TOWN OF THOMPSON'S STATION, TENNESSEE
DIRECTORY OF OFFICIALS
(unaudited)**

<u>Title</u>	<u>Name of Official</u>
Mayor	Corey Napier
Alderman	Ron Barrett
Alderman	Sarah H. Benson
Alderman	Nina Cooper
Alderman	Brinton Davis
Town Administrator	Greg Langeliers
Town Recorder	Doug Goetsch

PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

234 4th Avenue North

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

TELEPHONE # 615-794-4313

FAX # 615-595-2297

DAN H. PARSONS, CPA
PATRICIA L. PARSONS, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

January 28, 2014

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the business-type activities of Town of Thompson's Station, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparisons for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information (pages 4 – 8) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Thompson's Station, Tennessee's basic financial statements. The directory of officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Thompson's Station, Tennessee's internal control over financial reporting and compliance.

Parsons and Associates

Parsons and Associates

**TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. 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 \$15,853,383 (net assets). Of this amount, \$3,530,462 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 \$1,187,958.
3. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,197,327, an increase of \$588,488 for the year. Approximately 98% of this total amount, or \$3,125,039 is available for spending at the government's discretion (unassigned fund balances).
4. At June 30, 2013 unassigned fund balance for the General Fund, the only government fund of the Town, was \$3,125,039 or 309% 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 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

**TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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.

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 16 - 18.

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 \$15,853,383 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>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Current and other assets	\$2,772,379	\$3,933,922	\$ 973,781	\$ 459,221	\$ 3,746,160	\$ 4,393,143
Capital assets	1,107,093	1,134,514	9,990,733	11,126,119	11,097,826	12,260,633
Total assets	<u>\$3,879,472</u>	<u>\$5,068,436</u>	<u>\$10,964,514</u>	<u>\$11,585,340</u>	<u>\$13,843,986</u>	<u>\$16,653,776</u>
Long-term liabilities outstanding	\$	\$	\$	\$ 500,000	\$	\$ 500,000
Other liabilities	163,540	236,595	15,021	63,798	178,561	300,393
Total liabilities	<u>163,540</u>	<u>236,595</u>	<u>15,021</u>	<u>563,798</u>	<u>178,561</u>	<u>800,393</u>
Net assets:						
Nonspendable		500,000				500,000
Invested in capital assets	1,107,093	1,134,514	9,990,733	11,126,119	11,097,826	12,260,633
Restricted for roads and streets	159,722	72,288			159,722	72,288
Unrestricted	2,449,117	3,125,039	958,760	(104,577)	3,407,877	3,020,462
Total net assets	<u>\$3,715,932</u>	<u>\$4,831,841</u>	<u>\$10,949,493</u>	<u>\$11,021,542</u>	<u>\$14,665,425</u>	<u>\$15,853,383</u>

A significant portion of the Town's net assets, \$12,260,633 or (77%) 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.

**TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

At year-end, \$72,288 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, \$3,020,462 (19%), may be used to meet the government's ongoing obligations to citizens and creditors. Nonspendable funds are represented by the \$500,000 Wastewater advance and will become unrestricted as payments are made.

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.

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2013:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Program revenues:						
Charges for service	\$ 51,751	\$ 49,543	\$ 284,772	\$ 332,643	\$ 336,523	\$ 382,186
Operating grants & contributions	61,316	60,966			61,316	60,966
Capital grants & contributions			587,100	256,700	587,100	256,700
General revenues:						
Property taxes	89,854	87,579			89,854	87,579
Sales taxes	743,884	799,953			743,884	799,953
Intergovernmental taxes	235,065	282,556			235,065	282,556
Other	590,801	807,430			590,801	807,430
Unrestricted investment earnings	3,816	11,662	561	684	4,377	12,346
Total general revenues	<u>1,776,487</u>	<u>2,099,689</u>	<u>872,433</u>	<u>590,027</u>	<u>2,648,920</u>	<u>2,689,716</u>
Expenses:						
General government	758,192	738,003			758,192	738,003
State Street Aid	65,142	148,400			65,142	148,400
Streets and roads	5,746	32,791			5,746	32,791
Parks	46,404	64,586			46,404	64,586
Wastewater			544,170	517,978	544,170	517,978
Total expenses	<u>875,484</u>	<u>983,780</u>	<u>544,170</u>	<u>517,978</u>	<u>1,419,654</u>	<u>1,501,758</u>
Change in net assets	901,003	1,115,909	328,263	72,049	1,229,266	1,187,958
Net assets, beginning	2,814,929	3,715,932	10,621,230	10,949,493	13,436,159	14,665,425
Net assets, ending	<u>\$3,715,932</u>	<u>\$4,831,841</u>	<u>\$10,949,493</u>	<u>\$11,021,542</u>	<u>\$14,665,425</u>	<u>\$15,853,383</u>

Governmental Activities. Governmental activities increased the Town of Thompson's Station's net assets by \$1,115,909. This change is primarily due to increased sales tax receipts and impact fees.

Business-Type Activities. Business-type activities increased the Town's net assets by \$72,049 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'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 \$3,197,327, an increase in comparison with the prior year of \$2,608,839.

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 \$3,125,039. 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 323% of total general fund expenditures. The fund balance increased \$588,488 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 \$(104,577). The wastewater fund had an increase in net assets for the year of \$72,049. 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 budget and actual are listed below:

1. Actual over budgeted impact fees by \$169,310.
2. Actual over budgeted sales tax by \$109,953.
3. Actual over budgeted building permits by \$68,048.

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, 2013 amounted to \$12,260,633 (net of depreciation). This investment includes land, buildings, improvements, machinery, equipment and infrastructure.

Major capital asset events during the current fiscal year included:

1. Improvements to wastewater system \$1,353,447.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Land	\$ 551,725	\$ 554,225	\$ 2,512,000	\$ 2,512,000	\$ 3,063,725	\$ 3,066,225
Construction in progress	152,849				152,849	
Infrastructure	83,858	216,416			83,858	216,416
Buildings	422,098	476,940	864,943	864,943	1,287,041	1,341,883
Equipment	31,828	41,820	471,663	490,354	503,491	532,174
Vehicles	65,795	65,795			65,795	65,795
Wastewater system			7,358,926	8,712,373	7,358,926	8,712,373
Total Capital Assets	<u>\$1,308,153</u>	<u>\$1,355,196</u>	<u>\$11,207,532</u>	<u>\$12,579,670</u>	<u>\$12,515,685</u>	<u>\$13,934,866</u>

**TOWN OF THOMPSON'S STATION, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Long-term Debt. At the end of the fiscal year, the Town of Thompson's Station's total debt was \$500,000 due from the wastewater system to the general fund (Note 7). The Board decided to use interfund financing instead of third party financing.

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 2013-14 fiscal year.

1. The slowly recovering economy during 2013 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, 2013**

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 3,050,844	\$ 406,438	\$ 3,457,282
Taxes receivable – property tax	112,529		112,529
Accounts receivable		35,876	35,876
Due from (to) other funds	(16,907)	16,907	
Due from other governments	287,456		287,456
Advance to enterprise fund	500,000		500,000
Capital assets:			
Assets not being depreciated: land	554,225	2,512,000	3,066,225
Other capital assets, net of depreciation	580,289	8,614,119	9,194,408
Total	<u>5,068,436</u>	<u>11,585,340</u>	<u>16,653,776</u>
<u>LIABILITIES</u>			
Accounts payable	8,755	63,798	72,553
Deposits from developers	50,000		50,000
Due to other governments	67,770		67,770
Due to general fund			
Due within one year		55,555	55,555
Due beyond one year		444,445	444,445
Deferred revenue – taxes	<u>110,070</u>		<u>110,070</u>
Total Liabilities	<u>236,595</u>	<u>563,798</u>	<u>800,393</u>
<u>NET ASSETS</u>			
Nonspendable: Wastewater Advances	500,000		500,000
Invested in capital assets	1,134,514	11,126,119	12,260,633
Restricted for: State Street Aid	72,288		72,288
Unrestricted	<u>3,125,039</u>	<u>(104,577)</u>	<u>3,020,462</u>
Total Net Assets	<u>4,831,841</u>	<u>11,021,542</u>	<u>15,853,383</u>
 Total	 <u>\$ 5,068,436</u>	 <u>\$ 11,585,340</u>	 <u>\$ 16,653,776</u>

See notes to financial statements.

TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities
				Total	Total
Expenses					
Governmental Activities					
General	\$ 738,003	\$	\$	\$(694,855)	\$(694,855)
State Street Aid	148,400	60,966		(87,434)	(87,434)
Streets and roads	32,791			(32,791)	(32,791)
Parks	64,586			(58,191)	(58,191)
Total Governmental Activities	<u>983,780</u>	<u>60,966</u>		<u>(873,271)</u>	<u>(873,271)</u>
Business-type Activities					
Wastewater	<u>517,978</u>		256,700	<u>71,365</u>	<u>71,365</u>
Total Primary Government	<u>\$ 1,501,758</u>	<u>\$ 60,966</u>	<u>\$ 256,700</u>	<u>(873,271)</u>	<u>(801,906)</u>
General Revenues					
Property taxes				87,579	87,579
Sales taxes				799,953	799,953
Beer and liquor tax				107,577	107,577
State income tax				137,596	137,596
Payment in lieu of taxes				25,020	25,020
Business and privilege taxes				84,860	84,860
Franchise tax				24,484	24,484
Unrestricted investment earnings				11,662	12,346
Building permits/impact fees				688,158	688,158
Other				22,291	22,291
Total general revenues and transfers				<u>1,989,180</u>	<u>1,989,864</u>
Changes in net assets				<u>72,049</u>	<u>1,187,958</u>
Net assets – July 1, 2012				10,949,493	14,665,425
Net assets – June 30, 2013				<u>\$ 11,021,542</u>	<u>\$ 15,853,383</u>

See notes to financial statements

**TOWN OF THOMPSON'S STATION, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash	\$ 3,050,844	\$ 3,050,844
Taxes receivable – property tax	112,529	112,529
Due from other governments	<u>287,456</u>	<u>287,456</u>
<u>Total</u>	<u>3,450,829</u>	<u>3,450,829</u>
<u>LIABILITIES</u>		
Accounts payable	8,755	8,755
Deposits from developers	50,000	50,000
Due to other funds	16,907	16,907
Due to other governments	67,770	67,770
Deferred revenue – taxes	<u>110,070</u>	<u>110,070</u>
<u>Total Liabilities</u>	<u>253,502</u>	<u>253,502</u>
<u>FUND BALANCES</u>		
Restricted for State Street Aid	72,288	72,288
Unassigned	<u>3,125,039</u>	<u>3,125,039</u>
<u>Total Fund Balances</u>	<u>3,197,327</u>	<u>3,197,327</u>
 <u>Total</u>	 <u>\$ 3,450,829</u>	

**RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS**

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 \$220,682	1,134,514
Advance to wastewater enterprise fund, reported as disbursement on General fund records and, therefore, is not reported in the fund balance	<u>500,000</u>
Net assets of governmental activities	<u>\$ 4,831,841</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, 2013**

REVENUES

Taxes	\$ 952,318
Licenses, permits and fees	736,768
Intergovernmental	376,650
Other	<u>33,953</u>
<u>Total Revenues</u>	<u>2,099,689</u>

Expenditures

Current:	
General government	767,836
State Street Aid	148,400
Streets and roads	30,379
Parks	<u>64,586</u>
<u>Total Expenditures</u>	<u>1,011,201</u>

Other financing sources (uses)	
Advance from (to) wastewater fund	(500,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures	588,488
Fund Balance – July 1, 2012	2,608,839
Fund Balance – June 30, 2013	<u>\$ 3,197,327</u>

**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, 2013**

Net changes in fund balance – total government funds	\$ 588,488
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	47,046
Depreciation expense	(19,625)
Advance to wastewater enterprise fund, reported as expenditure in governmental funds while governmental activities report the advance as an asset to be repaid	500,000
Change in net assets of governmental activities	<u>\$ 1,115,909</u>

See notes to financial statements

**TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND – WASTEWATER
JUNE 30, 2013**

ASSETS

<u>Current Assets</u>	
Cash	\$ 406,438
Accounts receivable	35,876
Due from other funds	<u>16,907</u>
<u>Total Current Assets</u>	<u>459,221</u>
 <u>Capital Assets</u>	
Wastewater system, net of accumulated depreciation	<u>11,126,119</u>
<u>Total Assets</u>	<u>\$ 11,585,340</u>

LIABILITIES

<u>Current Liabilities</u>	
Accounts payable	\$ 63,798
Loan payable – general fund – current portion	<u>55,555</u>
<u>Total current liabilities</u>	<u>119,353</u>
 <u>Non-current liabilities (Note 7)</u>	
Loan payable – general fund	<u>444,445</u>
<u>Total non-current liabilities</u>	<u>444,445</u>
<u>Total Liabilities</u>	<u>563,798</u>

NET ASSETS

Invested in Capital Assets	11,126,119
Unrestricted	(104,577)
<u>Total Net Assets</u>	<u>11,021,542</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 11,585,340</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, 2013**

<u>Revenue</u>	
Charges to customers – wastewater	\$ 329,468
Penalties	<u>3,175</u>
<u>Total Revenue</u>	<u>332,643</u>
<u>Operating Expenses</u>	
<u>Supply and Operations</u>	
Salaries	50,080
Payroll taxes	3,831
Repairs and maintenance	40,834
Permits and licenses	7,519
Supplies	11,205
Testing	1,165
Utilities	64,216
Professional fees	<u>46,728</u>
<u>Total Supply and Operations</u>	<u>225,578</u>
<u>Administrative and General</u>	
Professional fees	33,680
Insurance	<u>13,843</u>
<u>Total Administrative and General</u>	<u>47,523</u>
<u>Depreciation</u>	<u>236,752</u>
<u>Total Operating Expenses</u>	<u>509,853</u>
<u>Operating Income (Loss)</u>	(177,210)
<u>Non-Operating Income (Expense)</u>	
Interest expense	(8,125)
Interest income	684
Tap fees	<u>256,700</u>
<u>Total Non-operating Income</u>	<u>249,259</u>
<u>Net Income</u>	72,049
Net Assets – July 1, 2012	10,949,493
Net Assets – June 30, 2013	\$ <u>11,021,542</u>

See notes to financial statements.

**TOWN OF THOMPSON'S STATION, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND – WASTEWATER
YEAR ENDED JUNE 30, 2013**

<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 335,168
Salaries	(50,080)
Payments to suppliers for goods and services	(174,245)
Net cash provided (used) by operating activities	<u>110,843</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from tap fees	256,700
Proceeds from loans payable – general fund	500,000
Purchase of equipment	(1,372,138)
Decrease in receivable	21,985
Net cash provided (used) for capital and related financing activities	<u>(593,453)</u>
<u>Cash Flows from Investing Activities</u>	
Interest income from cash and cash equivalents	<u>684</u>
Net cash provided (used) by investing activities	<u>684</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	(481,926)
Cash and cash equivalents – July 1, 2012	888,364
Cash and cash equivalents – June 30, 2013	\$ <u>406,438</u>

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

Operating income (loss)	\$(177,210)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: depreciation	236,752
Changes in assets and liabilities:	
Decrease (increase) in: receivables	2,524
Increase (decrease) in: accounts payable	<u>48,777</u>
Net cash provided (used) by operating activities	\$ <u>110,843</u>

Non-cash Financing Activities

During the year ended June 30, 2013 developers donated no sewer systems to the Town of Thompson's Station, Tennessee Wastewater System. None

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, 2013**

	<u>Budget</u> <u>Original/</u> <u>Final</u>	<u>Actual</u> <u>Amounts</u>
<u>RESOURCES (Inflows)</u>		
<u>Taxes</u>		
Property	\$ 97,000	\$ 87,579
Franchise	15,000	24,484
Wholesale beer	95,000	106,359
Local sales tax – Trustee	550,000	648,103
Privilege tax	10,000	29,442
Business tax	36,000	55,418
Interest and penalty revenue	<u>0</u>	<u>933</u>
<u>Total Taxes</u>	<u>803,000</u>	<u>952,318</u>
<u>Licenses, Permits and Fees</u>		
Beer permits	0	700
Building permits	200,800	268,848
Review fees	0	41,515
Impact fees	250,000	419,310
Rental - park	<u>0</u>	<u>6,395</u>
<u>Total Licenses, Permits and Fees</u>	<u>450,800</u>	<u>736,768</u>
<u>Intergovernmental Revenue</u>		
Payments in lieu of taxes	24,000	25,020
State of Tennessee – sales tax	140,000	151,850
State of Tennessee – mixed drink tax	0	133
State of Tennessee – beer tax	1,900	1,085
State of Tennessee – income tax	45,000	137,596
State of Tennessee – gas tax 1989	0	6,221
State of Tennessee – gas tax 3 cent	0	11,552
State of Tennessee – gas and motor fuel tax	58,000	38,704
State of Tennessee – petroleum special	4,500	4,489
Greenways and trailways grant	599,000	0
Safe routes to schools	<u>130,000</u>	<u>0</u>
<u>Total Intergovernmental Revenue</u>	<u>1,002,400</u>	<u>376,650</u>
<u>Other Income</u>		
EDSC events	0	10,947
Interest	1,500	11,662
Other	<u>4,000</u>	<u>11,344</u>
<u>Total Other Income</u>	<u>5,500</u>	<u>33,953</u>
<u>Total Revenues</u>	<u>\$ 2,261,700</u>	<u>\$ 2,099,689</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, 2013**

	<u>Budget Original/ Final</u>	<u>Actual Amounts</u>
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>		
<u>General Government</u>		
Office supplies	\$ 7,000	\$ 8,726
Postage, freight and express charges	2,500	2,626
Printing, forms and stationery	5,000	6,246
Professional fees – legal	119,000	47,556
Professional fees – other	0	36,986
Vehicle fuel	13,000	12,553
Vehicle repairs	5,000	2,032
Donations	50,000	25,000
Bank charges	100	0
Salaries and wages	370,000	363,774
Payroll taxes	32,200	29,754
Publication of legal notices	2,000	1,922
Board member expenses	500	395
Utilities	11,800	12,980
Memberships and subscriptions	6,000	2,855
Insurance	103,500	93,609
Telephone expense	4,000	3,513
Repairs and maintenance – building	23,000	19,750
Animal Control services	1,200	1,107
Trustee commission	3,000	2,525
Other expenses	3,000	2,856
Fixed assets acquired	50,000	26,074
Recording and filing	500	719
Travel	1,000	500
Educational expense	6,000	2,260
Greenway and trails expense	700,000	52,613
Election officials	7,500	1,178
Economic development	7,500	2,079
EDSC events	0	5,648
<u>Total General Government</u>	<u>\$ 1,534,300</u>	<u>\$ 767,836</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, 2013**

	<u>Budget Original/ Final</u>	<u>Actual Amounts</u>
<u>CHARGES TO APPROPRIATIONS (Outflows)</u>		
Continued		
<u>State Street Aid</u>		
Repairs	\$ 213,000	\$ 64,762
Paving	<u>0</u>	<u>83,638</u>
<u>Total State Street Aid</u>	<u>213,000</u>	<u>148,400</u>
<u>Streets and Roads</u>		
Repairs and maintenance	356,900	21,125
Safe routes to schools	<u>130,000</u>	<u>9,254</u>
<u>Total Streets and Roads</u>	<u>486,900</u>	<u>30,379</u>
<u>Parks</u>		
Repairs and supplies	150,000	32,891
Playground equipment	<u>70,000</u>	<u>31,695</u>
<u>Total Parks</u>	<u>220,000</u>	<u>64,586</u>
<u>Total Expenditures before Transfers</u>	<u>2,454,200</u>	<u>1,011,201</u>
Advance from (to) Wastewater Fund	(500,000)	(500,000)
Excess of Revenue and Other Sources <u>Over (Under) Expenditures</u>	<u>(692,500)</u>	<u>588,488</u>
Budgetary Fund Equity – July 1, 2012	2,608,839	2,608,839
Budgetary Fund Equity – June 30, 2013	<u>\$ 1,916,339</u>	<u>\$ 3,197,327</u>

See notes to financial statements

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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*

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(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.

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.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 2011 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 6-30-12	Taxes Levied	Collections	Balance 6-30-13
2003	.15	23,805,330	35,708	\$ 29	\$	\$	\$ 29
2004	.15	24,379,331	36,141	18			18
2005	.15	29,179,400	43,679				
2006	.103	40,981,000	42,210	16			16
2007	.103	50,955,696	51,000	9			9
2008	.103	71,312,942	77,258	21			21
2009	.103	83,599,533	87,775	27			27
2010	.103	89,326,214	92,006	1,603		1,544	59
2011	.103	85,407,960	87,941	3,814		3,783	31
2012	.103	89,657,972	92,314	92,314	(1,064)	89,001	2,249
2013	.103	106,886,489	110,070		110,070		110,070
				<u>\$ 97,851</u>	<u>\$ 109,006</u>	<u>\$ 94,328</u>	<u>\$112,529</u>

NOTE 3 – CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash \$3,457,282

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, 2013, 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 \$100,000 through the Federal Deposit Insurance Corporation (FDIC). All deposits and certificates were held in financial institutions, which are members of the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of the pool is not sufficient to cover a loss. The Town's deposits in financial institutions were entirely insured or collateralized at June 30, 2013

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – WASTEWATER RATES AND CUSTOMERS

The active number of wastewater customers at June 30, 2013 was 416.

The following monthly service rates for residential and commercial customers were in effect at June 30, 2013.

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, 2013, 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	\$ 551,725	\$ 2,500	\$	\$ 554,225
Construction in progress	<u>152,849</u>	<u></u>	<u>152,849</u>	<u>0</u>
Total assets not being depreciated	<u>704,574</u>	<u>2,500</u>	<u>152,849</u>	<u>554,225</u>
<u>Capital assets being depreciated</u>				
Infrastructure	83,858	132,558		216,416
Building and improvements	422,098	54,842		476,940
Furniture and equipment	31,825	9,995		41,820
Vehicles	<u>65,795</u>	<u></u>		<u>65,795</u>
Total assets being depreciated	<u>603,576</u>	<u>197,395</u>		<u>800,971</u>
Total capital assets	<u>1,308,150</u>	<u>199,895</u>	<u>152,849</u>	<u>1,355,196</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	(8,386)	(2,412)		(10,798)
Buildings and improvements	(114,412)	(11,924)		(126,336)
Furniture and equipment	(12,464)	(5,289)		(17,753)
Vehicles	<u>(65,795)</u>	<u>0</u>		<u>(65,795)</u>
Total accumulated depreciation	<u>(201,057)</u>	<u>(19,625)</u>		<u>(220,682)</u>
Governmental activities capital assets, net	<u>\$ 1,107,093</u>	<u>\$ 180,270</u>	<u>\$ 152,849</u>	<u>\$ 1,134,514</u>

Depreciation expense was charged to functions/programs at June 30, 2013, as follows:

General government	\$ 17,213
Streets and roads	<u>2,412</u>
	<u>\$ 19,625</u>

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities - Wastewater				
<u>Capital assets not being depreciated</u>				
Land	\$ 2,512,000	\$	\$	\$ 2,512,000
Total assets not being depreciated	<u>2,512,000</u>			<u>2,512,000</u>
<u>Capital assets being depreciated</u>				
Wastewater system	7,358,926	1,353,447		8,712,373
Building	864,943			864,943
Machinery and equipment	<u>471,663</u>	<u>18,691</u>		<u>490,354</u>
Total assets being depreciated	<u>8,695,532</u>	<u>1,372,138</u>		<u>10,067,670</u>
Total capital assets	<u>11,207,532</u>	<u>1,372,138</u>		<u>12,579,670</u>
Less accumulated depreciation for:				
Wastewater system	(973,450)	(187,138)		(1,160,588)
Building	(104,644)	(22,120)		(126,764)
Machinery and equipment	<u>(138,705)</u>	<u>(27,494)</u>		<u>(166,199)</u>
Total accumulated depreciation	<u>(1,216,799)</u>	<u>(236,752)</u>		<u>(1,453,551)</u>
Business-type Activities Capital Assets, net	<u>\$ 9,990,733</u>	<u>\$ 1,135,386</u>	\$	<u>\$ 11,126,119</u>

NOTE 6 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, 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, 2013, consist of the following: \$25,032 due from General Fund to Wastewater Fund representing utility services and \$8,125 due from Wastewater Fund to General Fund for interest earned on \$500,000 advance.

The Board of Mayor and Aldermen, in August 2012, rather than securing third party financing, decided to use interfund financing and adopted a Resolution approving the advance of \$500,000 to the Town of Thompson's Station Wastewater Fund from the Town of Thompson's Station General Fund. The funds were used for improvements to the Wastewater system.

On December 13, 2012, a 3-year Capital Outlay Note Series 2012 was issued for \$500,000 with a maturity date of December 13, 2015. The interest rate is 3% per annum. All revenue of the Wastewater Fund is pledged as collateral. Payments of not less than 1/9th of the principal sum is due on or before December 13, 2013 and 2014. The balance of principal and interest is due on or before December 13, 2015.

TOWN OF THOMPSON'S STATION, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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 nor 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.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Town of Thompson's Station, Tennessee acquired third party financing and purchased 104 acres in Thompson's Station for \$1,151,812. The acquisition is for public use property.

PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

234 4th Avenue North

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

TELEPHONE # 615-794-4313

FAX # 615-595-2297

DAN H. PARSONS, CPA
PATRICIA L. PARSONS, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
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, 2013, and have issued our report thereon dated January 28, 2014. 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parsons and Associates

Parsons and Associates

TOWN OF THOMPSON'S STATION, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

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.