

BASIC FINANCIAL STATEMENTS

TOWN OF SMYRNA, TENNESSEE

Statement of Net Assets

June 30, 2003

<u>Assets</u>	Primary Government		Total
	Governmental Activities	Business Activities	
Cash and cash equivalents	\$15,016,563	11,358,337	26,374,900
Receivables (net of allowance for uncollectibles)			
Taxes	5,348,420	-	5,348,420
Due from other governments	1,498,104	17,207	1,515,311
Accounts receivable	178,735	1,547,455	1,726,190
Inventories, at cost	52,543	308,268	360,811
Restricted assets:			
Cash and equivalents	-	354,839	354,839
Other	-	155,881	155,881
Note receivable	242,537	396,815	639,352
Other assets	18,881	108,959	127,840
Capital assets (net of accumulated depreciation)	69,210,487	91,500,143	160,710,630
 Total Assets	 \$91,566,270	 105,747,904	 197,314,174
 <u>Liabilities</u>			
Accounts payable	\$651,253	1,293,596	1,944,849
Accrued liabilities	515,034	214,111	729,145
Interest payable	-	100,044	100,044
Contracts payable	1,264,890	636,330	1,901,220
Deferred revenue	5,088,608	-	5,088,608
Liabilities payable from restricted assets	-	354,839	354,839
Long-term liabilities due within one year	1,212,053	1,482,072	2,694,125
Long-term liabilities due in more than one year	3,585,237	14,751,673	18,336,910
 Total Liabilities	 12,317,075	 18,832,665	 31,149,740
 <u>Net Assets</u>			
Investments in capital assets, net of related debt	64,865,890	75,266,398	140,132,288
Restricted for:			
Capital projects	1,130,031	-	1,130,031
Highways and streets	121,185	-	121,185
Law enforcement	26,487	-	26,487
Unrestricted	13,105,602	11,648,841	24,754,443
Total Net Assets	\$79,249,195	86,915,239	166,164,434

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2003

Functions / Programs:	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
Primary Government:					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$4,320,424	1,418,154	-	-	(2,902,270)	-	(2,902,270)
Public safety:							
Police	5,380,181	860,286	120,464	-	(4,399,431)	-	(4,399,431)
Fire	2,851,204	-	-	-	(2,851,204)	-	(2,851,204)
Highways and streets	3,589,552	117,704	785,005	3,920,756	1,233,913	-	1,233,913
Recreation	3,140,252	1,561,705	-	-	(1,578,547)	-	(1,578,547)
Community Development	1,086,288	353,439	-	-	(732,849)	-	(732,849)
Interest expense on long-term debt	100,383	-	-	-	(100,383)	-	(100,383)
Total Government Activities	<u>20,468,284</u>	<u>4,311,288</u>	<u>905,469</u>	<u>3,920,756</u>	<u>(11,330,771)</u>	<u>-</u>	<u>(11,330,771)</u>
Business-type Activities							
Water and Sewer	7,542,168	7,058,410	-	5,489,477	-	5,005,719	5,005,719
Natural Gas	15,078,383	14,919,694	-	238,852	-	80,163	80,163
Total Business-type Activities	<u>22,620,551</u>	<u>21,978,104</u>	<u>-</u>	<u>5,728,329</u>	<u>-</u>	<u>5,085,882</u>	<u>5,085,882</u>
Total Primary Government	<u>\$43,088,835</u>	<u>26,289,392</u>	<u>905,469</u>	<u>9,649,085</u>	<u>(11,330,771)</u>	<u>5,085,882</u>	<u>(6,244,889)</u>
General Revenues:							
Property taxes and in lieu of tax					\$5,795,745	-	5,795,745
Sales taxes					4,671,656	-	4,671,656
Other locally assessed taxes					1,503,062	-	1,503,062
Other state shared taxes					1,722,711	-	1,722,711
Impact fees					1,123,885	-	1,123,885
Unrestricted investment earnings and rental income					411,219	226,202	637,421
Other					136,889	-	136,889
Total general revenues					<u>15,365,167</u>	<u>226,202</u>	<u>15,591,369</u>
Change in net assets					4,034,396	5,312,084	9,346,480
Net assets - beginning of year, as restated					<u>75,214,799</u>	<u>81,603,155</u>	<u>156,817,954</u>
Net assets - end of year					<u>\$79,249,195</u>	<u>86,915,239</u>	<u>166,164,434</u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2003

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$12,408,789	127,884	2,018,689	14,555,362
Receivables (net of allowance for uncollectibles)				
Taxes	5,370,745	-	-	5,370,745
Due from other governments	1,304,462	56,051	137,591	1,498,104
Accounts receivable	178,345	-	390	178,735
Due from other funds	-	14,476	-	14,476
Inventory of supplies	8,066	-	44,477	52,543
Note receivable	-	242,537	-	242,537
Prepaid items	8,574	-	10,307	18,881
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$19,278,981</u>	<u>440,948</u>	<u>2,211,454</u>	<u>21,931,383</u>
<u>Liabilities and Fund Balances</u>				
Accounts payable	\$277,737	70,467	65,122	413,326
Accrued costs	456,510	-	50,083	506,593
Due to other funds	-	-	14,476	14,476
Contracts payable	707,181	108,921	448,788	1,264,890
Deferred revenue	5,910,177	-	73,388	5,983,565
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>7,351,605</u>	<u>179,388</u>	<u>651,857</u>	<u>8,182,850</u>
Fund Balance:				
Reserved for prepaid items and inventory	16,640	-	54,787	71,427
Reserved for project	75,373	-	-	75,373
Reserved for notes receivable	-	235,890	-	235,890
Unreserved and undesignated				
General Fund	11,835,363	-	-	11,835,363
Capital Projects Fund	-	25,670	-	25,670
Special Revenue Funds	-	-	1,504,810	1,504,810
Total Fund Balances	<u>11,927,376</u>	<u>261,560</u>	<u>1,559,597</u>	<u>13,748,533</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$19,278,981</u>	<u>440,948</u>	<u>2,211,454</u>	<u>21,931,383</u>

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

**Reconciliation of Balance Sheet to Statement of Net Assets
of Governmental Activities**

June 30, 2003

Amounts reported for fund balance - total governmental funds	\$13,748,533
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and , therefore, are not reported in the funds	69,210,487
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
State shared revenues and local option sales tax receivable	668,905
Property taxes receivable	203,727
Internal service fund is used by management to charge the costs of medical insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	223,274
Interest payable on long-term obligations are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(8,441)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds.	
Governmental bonds payable	(4,073,926)
Capital leases payable	(270,671)
Compensated absences	(452,693)
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Net assets of governmental activities	<u>\$79,249,195</u>

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds**

For the Year Ended June 30, 2003

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$9,592,644	-	-	9,592,644
Payment in lieu of taxes	2,199,964	-	-	2,199,964
Licenses and permits	540,397	-	1,123,885	1,664,282
Intergovernmental	1,992,595	5,338	714,021	2,711,954
Fines and forfeits	820,795	-	39,491	860,286
Uses of money and property	1,821,819	11,070	1,354,804	3,187,693
Miscellaneous	136,889	-	-	136,889
Total Revenues	17,105,103	16,408	3,232,201	20,353,712
<u>Expenditures</u>				
Current:				
General government	3,849,380	65,960	-	3,915,340
Public safety:				
Police	4,820,688	76,199	143,687	5,040,574
Fire	2,478,765	20,717	-	2,499,482
Highways and streets	799,177	-	674,368	1,473,545
Recreation	1,415,999	9,196	1,162,218	2,587,413
Community development	965,906	-	-	965,906
Debt service	-	-	857,398	857,398
Capital outlay	-	3,400,237	32,079	3,432,316
Total Expenditures	14,329,915	3,572,309	2,869,750	20,771,974
Excess (deficiency) revenues over expenditures	2,775,188	(3,555,901)	362,451	(418,262)
<u>Other Financing Sources (Uses)</u>				
Public Building Authority loan issuance	-	67,574	-	67,574
Capital leases	-	350,745	-	350,745
Transfers in	63,478	3,136,613	861,639	4,061,730
Transfers out	(2,057,999)	-	(2,003,731)	(4,061,730)
Total Other Financing Source (Uses)	(1,994,521)	3,554,932	(1,142,092)	418,319
Net change in fund balance	780,667	(969)	(779,641)	57
Fund balance, beginning of year	11,146,709	262,529	2,339,238	13,748,476
Fund balance, end of year	\$11,927,376	261,560	1,559,597	13,748,533

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2003

Net change in fund balances-total governmental funds: \$57

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Cost of assets acquired	3,432,316
Depreciation expense	(3,490,167)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	117,788
Local option sales tax	60,067
State shared taxes	39,268
Contributed capital assets	3,915,418

The issuance of long-term debt provides current financial resources to governmental funds. While the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt repayment	761,581
Capital leases and loan issuance	(418,319)

Interest is accrued on outstanding obligations in governmental activities whereas in governmental funds, an interest expenditure is reported when due:

Interest on capital leases	(4,566)
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Expenses reported for governmental activities which do not require the use of financial resources and are not reported as expenditures in the governmental funds:

Compensated absences	1,462
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Internal service funds are used by management to charge the costs of medical insurance to individual funds. The net revenue (expenses) of certain activities of internal service funds is reported with governmental activities. (net of amount allocated to business activities of revenue of \$1,559)

(380,509)

Change in net assets of governmental activities

\$4,034,396

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Net Assets

Proprietary Funds

June 30, 2003

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund	Total	
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$3,762,720	7,348,866	11,111,586	707,952
Receivables:				
Utility customers, net of allowance for estimated uncollectible	454,767	1,092,688	1,547,455	-
Grant receivable	17,207	-	17,207	-
Note receivable, current portion	29,802	-	29,802	-
Total Accounts Receivable	501,776	1,092,688	1,594,464	-
Prepaid expenses	-	3,047	3,047	-
Inventory, at cost	164,948	143,320	308,268	-
Total Current Assets	4,429,444	8,587,921	13,017,365	707,952
Restricted Assets:				
Cash	64,989	289,850	354,839	-
State escrowed funds	106,181	-	106,181	-
Special assessments receivable	49,700	-	49,700	-
Total Restricted Assets	220,870	289,850	510,720	-
Property, Plant and Equipment	108,969,097	17,397,044	126,366,141	
Less accumulated depreciation	(28,436,435)	(6,429,563)	(34,865,998)	
Total Property, Plant and Equipment, Net	80,532,662	10,967,481	91,500,143	-
Other Assets:				
Note receivable, net of current portion	367,013	-	367,013	-
Bond issuance cost-net of amortization	105,912	-	105,912	-
Total Other Assets	472,925	-	472,925	-
Total Assets	<u>\$85,655,901</u>	<u>19,845,252</u>	<u>105,501,153</u>	<u>707,952</u>
<u>Liabilities</u>				
Liabilities:				
Current Liabilities (payable from current assets):				
Accounts payable	\$231,047	935,254	1,166,301	365,222
Accrued expenses	145,190	68,921	214,111	
Contracts payable	448,841	187,489	636,330	
Interest payable	100,044	-	100,044	-
Current maturities of long-term debt	1,482,072	-	1,482,072	-
Total Current Liabilities (payable from current assets)	2,407,194	1,191,664	3,598,858	365,222
Current Liabilities (payable from restricted assets):				
Construction bonds	64,989	-	64,989	-
Customer deposits	-	289,850	289,850	
Total Current Liabilities (payable from restricted assets)	64,989	289,850	354,839	-
Long-term debt, net of current maturities	14,751,673	-	14,751,673	-
Total Liabilities	17,223,856	1,481,514	18,705,370	365,222
<u>Net Assets</u>				
Invested in capital assets, net of related debt	64,298,917	10,967,481	75,266,398	-
Unrestricted	4,133,128	7,396,257	11,529,385	342,730
Total Net Assets	<u>\$68,432,045</u>	<u>18,363,738</u>	<u>86,795,783</u>	<u>342,730</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				
	81,822	37,634	119,456	
Net assets of business-type activities	<u>\$68,513,867</u>	<u>18,401,372</u>	<u>86,915,239</u>	

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

**Statement of Revenues, Expenses and
Changes in Net Assets**

Proprietary Funds

For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund	Total	
Operating Revenues:				
Services	\$6,669,694	14,678,423	21,348,117	-
Other	8,514	9,545	18,059	1,984,862
Forfeited discounts	121,547	112,999	234,546	-
Total Operating Revenues	<u>6,799,755</u>	<u>14,800,967</u>	<u>21,600,722</u>	<u>1,984,862</u>
Operating Expenses:				
Gas purchases	-	12,886,357	12,886,357	-
Salaries	1,388,205	435,496	1,823,701	-
Benefits and payroll taxes	549,095	212,813	761,908	-
Travel	7,313	5,182	12,495	-
Outside services	252,304	13,978	266,282	-
Telephone and utilities	864,635	21,308	885,943	-
Maintenance and repair	183,378	75,435	258,813	-
Operating supplies	521,640	79,526	601,166	-
Insurance	87,355	57,508	144,863	-
Professional services	5,257	49,901	55,158	-
Depreciation and amortization	2,385,606	678,069	3,063,675	-
Payments in lieu of taxes	259,590	128,100	387,690	-
Bad debts	-	7,279	7,279	-
Administrative support services	345,611	261,042	606,653	-
Other	79,824	38,114	117,938	2,384,095
Total Operating Expenses	<u>6,929,813</u>	<u>14,950,108</u>	<u>21,879,921</u>	<u>2,384,095</u>
Operating Income (loss)	<u>(130,058)</u>	<u>(149,141)</u>	<u>(279,199)</u>	<u>(399,233)</u>
Non-Operating Revenues (Expenses):				
Interest income	96,289	126,057	222,346	20,283
Interest expenses	(360,951)	-	(360,951)	-
Total Non-Operating Revenues (Expenses)	<u>(264,662)</u>	<u>126,057</u>	<u>(138,605)</u>	<u>20,283</u>
Net Income (loss) Before Contributions	<u>(394,720)</u>	<u>(23,084)</u>	<u>(417,804)</u>	<u>(378,950)</u>
<u>Contributions:</u>				
Capital contributions - tap fees	1,333,422	238,852	1,572,274	-
Capital grant	2,420,955	-	2,420,955	-
Contributions from developers - non cash	1,735,100	-	1,735,100	-
Change in Net Assets	<u>5,094,757</u>	<u>215,768</u>	<u>5,310,525</u>	<u>(378,950)</u>
Net Assets, Beginning of Year	<u>63,337,288</u>	<u>18,147,970</u>	<u>81,485,258</u>	<u>721,680</u>
Net Assets, End of Year	<u>\$68,432,045</u>	<u>18,363,738</u>	<u>86,795,783</u>	<u>342,730</u>
Change in Net Assets shown above	5,094,757	215,768	5,310,525	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>9,894</u>	<u>(8,335)</u>	<u>1,559</u>	
Change in net assets of business-type activities	<u>\$5,104,651</u>	<u>207,433</u>	<u>5,312,084</u>	

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund	Total	
Cash Flows from Operating Activities:				
Cash received from customers	\$6,855,437	14,443,557	21,298,994	-
Cash paid to employees for services	(1,393,883)	(438,740)	(1,832,623)	-
Cash paid to suppliers for goods and services	(2,619,982)	(13,038,658)	(15,658,640)	-
Payments for in lieu of taxes	(259,590)	(128,100)	(387,690)	-
Payments for interfund administrative support services	(345,611)	(261,042)	(606,653)	-
Interfund advance receipts	-	25,842	25,842	47,575
Interfund advance repayments	(25,842)	-	(25,842)	-
Cash received on customer deposits	-	17,351	17,351	-
Cash paid on customer deposits	(1,500)	-	(1,500)	-
Premiums received	-	-	-	1,984,862
Medical claims and administrative expenses paid	-	-	-	(2,427,791)
Net Cash Provided (Used) by Operating Activities	<u>2,209,029</u>	<u>620,210</u>	<u>2,829,239</u>	<u>(395,354)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of property, plant, and equipment	(7,343,938)	(760,785)	(8,104,723)	-
Cash received on note receivable	25,795	-	25,795	-
Cash received on construction bonds	6,858	-	6,858	-
Interest paid on debt	(520,865)	-	(520,865)	-
Capital grant proceeds	2,403,748	-	2,403,748	-
Cash received on refunding	4,535	-	4,535	-
Payments on long-term debt	(1,374,942)	-	(1,374,942)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,798,809)</u>	<u>(760,785)</u>	<u>(7,559,594)</u>	<u>-</u>
Cash Flows from Non-Capital Financing Activities:				
Contributed equity-from customers	1,341,122	238,852	1,579,974	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,341,122</u>	<u>238,852</u>	<u>1,579,974</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest received on investments	112,339	149,021	261,360	26,703
Net Cash Provided (Used) by Investing Activities	<u>112,339</u>	<u>149,021</u>	<u>261,360</u>	<u>26,703</u>
Net Increase (Decrease) in Cash	(3,136,319)	247,298	(2,889,021)	(368,651)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>6,964,028</u>	<u>7,391,418</u>	<u>14,355,446</u>	<u>1,076,603</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$3,827,709</u>	<u>7,638,716</u>	<u>11,466,425</u>	<u>707,952</u>

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TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds, Continued

For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund	Total	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>				
Operating income (loss)	(\$130,058)	(149,141)	(279,199)	(\$399,233)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,385,606	678,069	3,063,675	-
(Increase) decrease in:				
Accounts receivable	55,682	(357,410)	(301,728)	-
Inventory	(66,829)	(7,344)	(74,173)	-
Prepaid expenses	5,363	(1,515)	3,848	-
Due from other funds	-	25,842	25,842	47,575
Increase (Decrease) in:			-	
Accounts payable	(11,207)	417,090	405,883	(43,696)
Accrued expenses	(2,186)	(2,732)	(4,918)	-
Due to other funds	(25,842)	-	(25,842)	-
Customer deposits	(1,500)	17,351	15,851	-
	<u>\$2,209,029</u>	<u>620,210</u>	<u>2,829,239</u>	<u>(395,354)</u>
Net Cash Provided (used) for Operating Activities				

Supplemental Schedule of Non-Cash Capital Financing Activities

In fiscal 2003, the Town accepted \$1,735,100 in contributed water and sewer lines from developers.

In fiscal 2003, the Town liquidated contracts payable for water and sewer utility plant in the amount of \$1,048,737 and acquired gas utility plant in the amount of \$121,104 through contracts payable.

In fiscal 2003, the Town issued bonds to refund a portion of the 1995 and 1996 Water and Sewer Revenue and Tax Bonds. The net proceeds of \$2,236,475 was deposited into an irrevocable trust for defeasance of \$2,160,000 of outstanding revenue and tax bond principal. Issue costs of \$27,319 were incurred and the Town received \$4,535 in cash from the refunding.

Note: Capitalized interest costs in the Water and Sewer Fund were \$160,764 for 2003.

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Fiduciary Net Assets

Pension Fund

June 30, 2003

Assets

Investments, at fair value:

Money market funds	\$174,951
Mutual funds	636,442
U S government securities	585,466
Corporate bonds	830,621

Total Assets

\$2,227,480

Liabilities

Liabilities

-

Net Assets

Held in Trust for Pension Benefits

2,227,480

Total Net Assets Held in Trust for Pension Benefits

\$2,227,480

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE
Statement of Changes in Fiduciary Net Assets
Pension Fund
For the Year Ended June 30, 2003

<u>Additions</u>	
Contributions - employer	\$158,715
Investment earnings	
Interest, dividends and other investment income (loss)	(30,810)
Net increase (decrease) in fair value of investments	<u>122,789</u>
Net investment earnings	<u>91,979</u>
 Total additions	 <u>250,694</u>
<u>Deductions</u>	
Pension benefits	<u>105,111</u>
 Total deductions	 <u>105,111</u>
 Change in net assets	 145,583
 Net assets held in trust for pension benefits beginning of year	 <u>2,081,897</u>
 Net assets held in trust for pension benefits end of year	 <u><u>\$2,227,480</u></u>

See accompanying notes to financial statements