

FINANCIAL SECTION

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Independent Auditor's Report

Honorable Mayor and Town Council
Town of Smyrna, Tennessee
Smyrna, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business - type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Tennessee (the Town), as of and for the year ended June 30, 2005, 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 Smyrna's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government 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 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 financial position of the governmental activities, the business - type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Tennessee at June 30, 2005, and the respective changes in financial position and, changes in fiduciary net assets for its Pension Fund and cash flows, where applicable, 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 also issued our report dated September 22, 2005, on our consideration of the Town of Smyrna's internal control over financial reporting and 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 *Governmental Auditing Standards* and should be considered in conjunction with this report in considering our audit.

Management's Discussion and Analysis on pages 2-11, the Required Supplementary Information on pages 42-46 are not a required part of the 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 do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smyrna's basic financial statements. The Introductory Section (Pages i through vii), Combining and Individual Nonmajor Fund Statements and Schedules, Financial Schedules Section and Statistical Section as listed in the Table of Contents on (pages 47 through 85), inclusive are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 61 is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular OMB 133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a part of the financial statements of the Town. The Combining and Individual Nonmajor Fund Statements and Schedules and, the Financial Schedules including the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is stated fairly, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Yeary Howell & Associates

September 22, 2005

Management's Discussion and Analysis

As management of the Town of Smyrna, Tennessee (the "Town" or the "Town of Smyrna"), 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, 2005. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Please consider the information presented here in conjunction with our Letter of Transmittal (page i) and the Town's financial statements (beginning on page 12).

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$181,188,144 (net assets). Of this amount, \$30,055,480 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$9,409,918.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,183,919, an increase of \$1,153,145 in comparison with the prior year. Approximately 97% of this total amount, \$15,752,121, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$12,897,312, or 73% of total general fund expenditures. This demonstrates the Town's fiscal discipline and places the Town in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown in the economy.
- The Town of Smyrna's total debt increased by \$8,960,786 (39%) during the current fiscal year. This was a result of the issuance of \$11,339,786 in new debt and the payment of current debt owed.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the Town of Smyrna's basic financial statements. The Town'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. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Smyrna'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 of Smyrna is improving or deteriorating.

The statement of activities presents information showing how the government'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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes 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, public safety, highways and streets, recreation and community development. The business-type activities of the Town include the Water and Sewer Fund and the Natural Gas Fund.

The government-wide financial statements can be found on pages 12-13 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-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 government'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 maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary funds. The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer Fund and Natural Gas Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its self-insured health insurance. Because this service benefits both governmental and business-type functions, it has been allocated between both governmental activities and 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 for the Water and Sewer Fund and the Natural Gas Fund, both of which are considered to be major funds of the Town. The internal service fund is also presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 18-21 of this report.

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

The basic fiduciary fund financial statements can be found on pages 22-23 of this report.

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. The notes to the financial statements can be found on pages 24-41 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Town of Smyrna adopts an annual appropriated budget for its general fund. Within the required supplementary information, a budget comparison statement has been provided for this fund to demonstrate compliance with the budget. Required supplementary information can be found on pages 42-46 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 48-53 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Smyrna, assets exceeded liabilities by \$181,188,144 at the close of the most recent fiscal year.

Net Assets - Primary Government June 30

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 26,155,396	\$ 24,619,587	\$ 26,426,027	\$ 20,071,401	\$ 52,581,423	\$ 44,690,988
Capital Assets	77,786,961	70,890,908	96,956,060	96,203,855	174,743,021	167,094,763
Total Assets	<u>103,942,357</u>	<u>95,510,495</u>	<u>123,382,087</u>	<u>116,275,256</u>	<u>227,324,444</u>	<u>211,785,751</u>
Long-term Liabilities Outstanding	6,396,887	4,903,356	26,750,843	22,533,989	33,147,730	27,437,345
Other Liabilities	9,034,898	8,606,156	3,953,672	3,964,024	12,988,570	12,570,180
Total Liabilities	<u>15,431,785</u>	<u>13,509,512</u>	<u>30,704,515</u>	<u>26,498,013</u>	<u>46,136,300</u>	<u>40,007,525</u>
Net Assets:						
Invested in Capital Assets, net of related debt	72,761,202	66,457,757	77,883,216	75,618,383	150,644,418	142,076,140
Restricted	488,246	2,296,204	-	-	488,246	2,296,204
Unrestricted	15,261,124	13,247,022	14,794,356	14,158,860	30,055,480	27,405,882
Total Net Assets	<u>\$ 88,510,572</u>	<u>\$ 82,000,983</u>	<u>\$ 92,677,572</u>	<u>\$ 89,777,243</u>	<u>\$ 181,188,144</u>	<u>\$ 171,778,226</u>

By far the largest portion of the Town of Smyrna's net assets (83.1 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town of Smyrna uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Smyrna's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net assets (0.27 percent) represents resources that are subject to external restrictions on how they may be used. These include net assets restricted for highways and streets (\$418,214) and law enforcement (\$70,032). The remaining balance of unrestricted net assets (\$30,055,480) 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 Smyrna is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

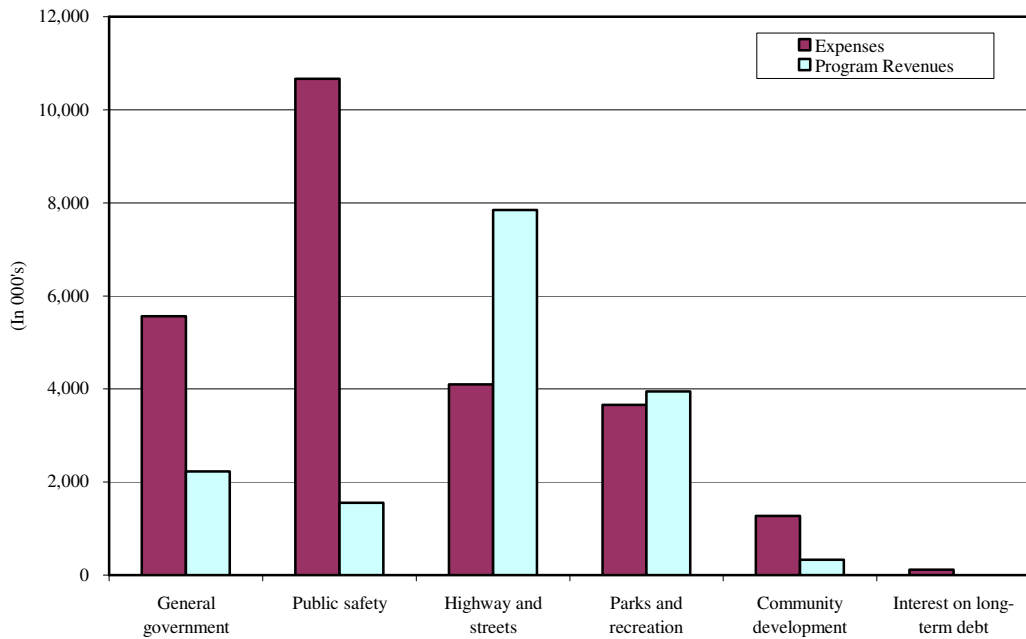
Governmental activities. Governmental activities increased the Town of Smyrna's net assets by \$6,509,589, thereby accounting for 69 percent of the total growth in the net assets of the Town of Smyrna. Key elements of this increase are as follows:

- Local option sales tax collections increased by \$391,729
- Interest earned on idle cash increased by \$182,175
- Capital grants and contributions increased by \$6,010,616

**Changes in Net Assets
For the year ended June 30**

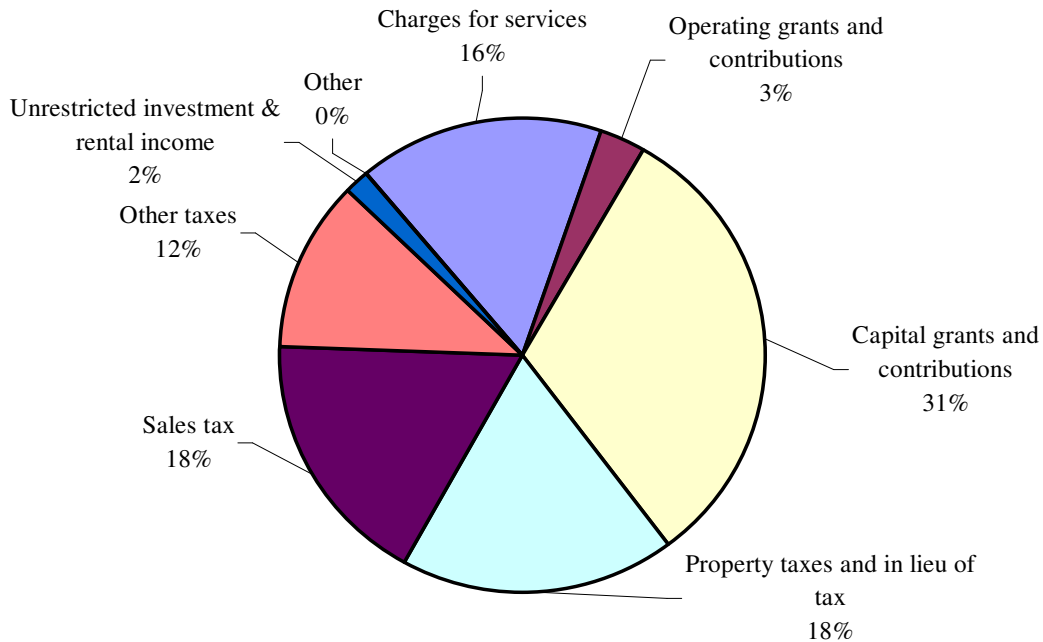
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Charges for services	\$ 5,173,117	\$ 4,703,639	\$28,082,559	\$24,992,029	\$ 33,255,676	\$ 29,695,668
Operating grants and contributions	949,548	923,309	-	-	949,548	923,309
Capital grants and contributions	9,783,930	3,773,314	3,067,064	2,665,350	12,850,994	6,438,664
General revenues:						
Property taxes and in lieu of tax	5,751,277	5,391,616	-	-	5,751,277	5,391,616
Sales tax	5,552,537	5,160,808	-	-	5,552,537	5,160,808
Other taxes	3,629,103	3,558,927	-	-	3,629,103	3,558,927
Gain on sale of capital assets	-	356,373	-	1,650	-	358,023
Unrestricted investment & rental income	494,020	313,557	211,475	146,034	705,495	459,591
Other	35,937	124,491	-	-	35,937	124,491
Total Revenues	<u>31,369,469</u>	<u>24,306,034</u>	<u>31,361,098</u>	<u>27,805,063</u>	<u>62,730,567</u>	<u>52,111,097</u>
Expenses:						
General government	5,563,874	4,987,480	-	-	5,563,874	4,987,480
Public safety	10,668,540	8,652,760	-	-	10,668,540	8,652,760
Highway and streets	4,095,570	3,759,038	-	-	4,095,570	3,759,038
Parks and recreation	3,657,874	3,309,396	-	-	3,657,874	3,309,396
Community development	1,271,640	1,238,659	-	-	1,271,640	1,238,659
Interest on long-term debt	115,232	69,359	-	-	115,232	69,359
Water and Sewer	-	-	8,356,911	7,505,093	8,356,911	7,505,093
Natural Gas	-	-	19,591,008	16,975,520	19,591,008	16,975,520
Total expenses	<u>25,372,730</u>	<u>22,016,692</u>	<u>27,947,919</u>	<u>24,480,613</u>	<u>53,320,649</u>	<u>46,497,305</u>
Increase in net assets before transfers	5,996,739	2,289,342	3,413,179	3,324,450	9,409,918	5,613,792
Transfers	512,850	462,446	(512,850)	(462,446)	-	-
Increase in net assets	6,509,589	2,751,788	2,900,329	2,862,004	9,409,918	5,613,792
Net assets - beginning	82,000,983	79,249,195	89,777,243	86,915,239	171,778,226	166,164,434
Net assets - ending	<u>\$88,510,572</u>	<u>\$82,000,983</u>	<u>\$92,677,572</u>	<u>\$89,777,243</u>	<u>\$ 181,188,144</u>	<u>\$ 171,778,226</u>

Expenses and Program Revenues – Governmental Activities



As the above graph shows, Public Safety is the largest activity, reflecting the Town’s commitment to a safe community. General Government is the next largest activity, which is responsible for the administration of the government. Highways and Streets was also a substantial activity reflecting the Town’s commitment to safe and adequate roads.

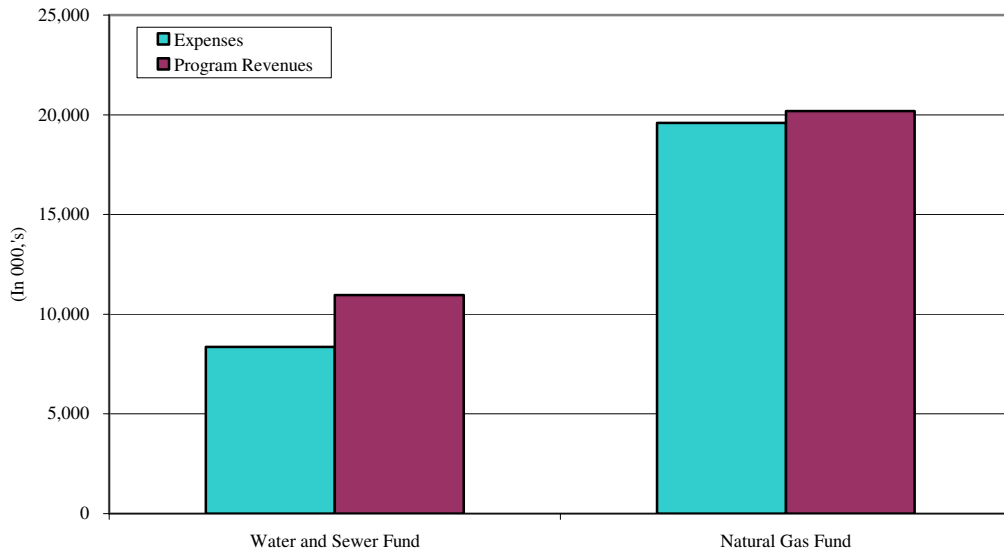
Revenue by Source – Governmental Activities



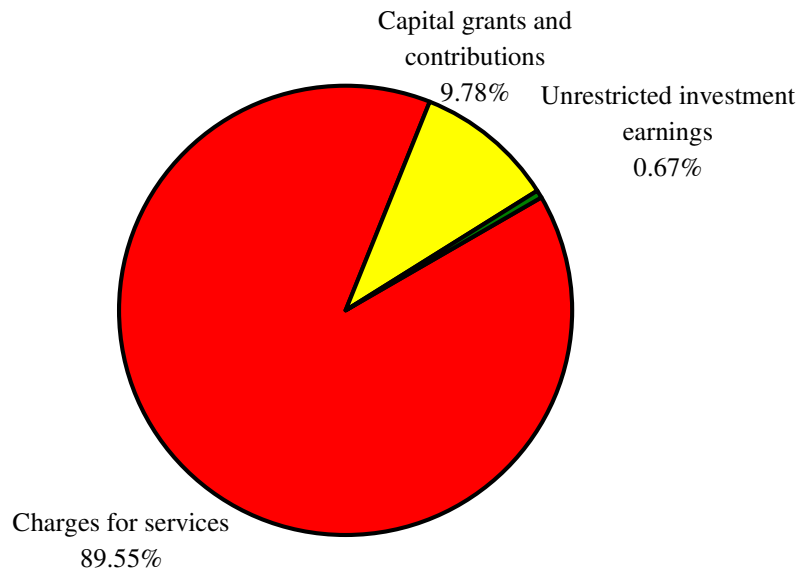
Business-type activities. Business-type activities increased the Town of Smyrna’s net assets by \$2,900,329, accounting for 31 percent of the total growth in the government’s net assets. A key element of this increase is as follows:

- The Town's Water and Sewer Fund accounts for 80% of the increase in business-type net assets. The change in net assets is a result of a growth in the customer base, an increase in contributed tap fees, an increase in contributions from developers and an increase in interest income.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town of Smyrna uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Smyrna'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,183,919, an increase of \$1,153,145 in comparison with the prior year. Approximately 97% of this total amount (\$15,752,121) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for notes receivable (\$221,665), project (\$147,586), and prepaid items and inventory (\$62,547).

The general fund is the chief operating fund of the Town of Smyrna. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$12,897,312, while total fund balance reached \$13,067,830. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 73 percent of total general fund expenditures, while total fund balance represents 74 percent of that same amount.

The fund balance of the Town of Smyrna's general fund increased by \$592,208 during the current fiscal year. Key factors in this growth are as follows:

- Local option sales tax collections increased by \$338,150 during the year, a result of the increase in population of the surrounding area, as well as, commercial business in the Town.
- Real estate tax revenues increased by \$283,683 during the year, a result of an increase in the real estate tax base.
- The general fund transfers out for capital projects decreased by \$273,231.

The capital projects fund has a total fund balance of (\$96,802), of which \$221,665 is reserved for the noncurrent portion of notes receivable. The net decrease in fund balance during the current year in the capital projects fund was \$354,902. The key factor in this decrease was unfunded expenditures that are to be paid out of the \$5,000,000 bond issue that closed on November 22, 2005, as approved by Council through a reimbursement resolution.

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 Water and Sewer Fund at the end of the year amounted to \$6,643,814 and those for the Natural Gas Fund amounted to \$8,020,205. The total growth in net assets for the funds was \$2,213,155 and \$590,613, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$386,220 increase in appropriations between the original and final amended general fund expenditure budget and can be summarized with the following increase:

- \$386,220 total increase to all departments for the implementation of the compensation study.

Capital Asset and Debt Administration

Capital assets. The Town of Smyrna's investment in capital assets for its governmental and business type activities as of June 30, 2005 amounts to \$174,743,021 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways and

bridges. The total increase in the Town of Smyrna’s investment in capital assets for the current fiscal year was 4.6 percent (a 9.7 percent increase for governmental activities and a 0.8 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction was completed on the waste water treatment plant upgrades; resulting in an increase in buildings and systems of \$22,475,693 for this project.
- Various improvements to Town Parks, including Gregory Mill, Rock Springs Park and Hilltop-Rosenwald Park.
- Construction began on the Rock Springs Road Water Tank, which amounted to \$992,521 for this project as of the close of the fiscal year.
- Purchased 12 police patrol vehicles amounting to \$191,450.
- Construction began on the Greenway project, which amounted to \$1,582,013 for this project as of the close of the fiscal year.
- Construction was completed on widening Enon Springs Road East; resulting in an increase in infrastructure of \$1,730,981 for this project.
- Construction began on the Downtown Revitalization project, which amounted to \$1,357,012 for this project as of the close of the fiscal year.
- Construction was completed on StoneCrest Boulevard; resulting in an increase in infrastructure of \$2,152,160 for this project.

Capital Assets
(net of accumulated depreciation)
June 30

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 2,488,924	\$ 2,488,924	\$ 1,662,340	\$ 1,595,536	\$ 4,151,264	\$ 4,084,460
Buildings and system	6,061,873	6,566,201	92,919,176	70,349,976	98,981,049	76,916,177
Improvements other than buildings	10,129,337	7,610,222	-	-	10,129,337	7,610,222
Machinery and equipment	2,723,994	2,877,301	810,203	877,994	3,534,197	3,755,295
Infrastructure	55,333,698	47,626,352	-	-	55,333,698	47,626,352
Construction in progress	<u>1,049,135</u>	<u>3,721,908</u>	<u>1,564,341</u>	<u>23,380,349</u>	<u>2,613,476</u>	<u>27,102,257</u>
Total Assets, net	<u>\$ 77,786,961</u>	<u>\$70,890,908</u>	<u>\$ 96,956,060</u>	<u>\$96,203,855</u>	<u>\$ 174,743,021</u>	<u>\$167,094,763</u>

Additional information on the Town’s capital assets can be found in Note 3 on page 31 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Smyrna had total bonded debt outstanding of \$31,914,000. Of this amount, \$4,985,187 is debt backed by the full faith and credit of the government; \$26,928,813 is debt secured by specified revenue sources, but backed by the taxing authority of the Town (i.e., revenue and tax bonds).

**Outstanding Debt
General Obligation and Revenue Bonds
June 30**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 4,985,187	\$ 4,297,229	\$ -	\$ -	\$ 4,985,187	\$ 4,297,229
Revenue and tax bonds	-	-	26,928,813	18,655,985	26,928,813	18,655,985
Total	<u>\$ 4,985,187</u>	<u>\$ 4,297,229</u>	<u>\$26,928,813</u>	<u>\$18,655,985</u>	<u>\$31,914,000</u>	<u>\$ 22,953,214</u>

The Town of Smyrna’s total bonded debt increased by \$8,960,786 (39%) during the current fiscal year. This was a result of the issuance of \$11,339,786 in new debt and the payment of current debt owed.

During the year, the Town issued \$10,000,000 of Water and Sewer Revenue and Tax Bonds. The bonds were issued for the purpose of funding the construction of various infrastructure improvements to the water and sewer system. The Town also made \$1,339,786 of draws on the 2001 public building authority loan for various capital improvements for the general government, public safety, highways and streets and parks and recreation. These draws completed the draw down of this loan.

The Town of Smyrna maintains an “A1” rating from Moody’s Investors Service for its general obligation and revenue and tax bonds debt.

State statutes set no limit for the amount of general obligation debt a governmental entity may issue. However, the Town has established a policy that tax supported debt not exceed 10% of assessed property value. The Town’s tax supported debt is currently at 5.6% of assessed property value.

Additional information on the Town of Smyrna’s long-term debt can be found in Note 6 on pages 33 - 34 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the Town of Smyrna is currently 4.0 percent, which is an increase from a rate of 3.8 percent a year ago. This compares favorably to the state’s average unemployment rate of 5.3 percent and the national average rate of 4.6 percent.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the Town of Smyrna’s budget for the 2006 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$12,897,312. The Town of Smyrna appropriated \$810,356 of this amount for spending on one time capital assets in the 2006 fiscal year budget. Should these appropriated amounts be needed for operations, some of the one time capital assets can be rescheduled for future appropriations.

Requests for Information

This financial report is designed to provide a general overview of the Town of Smyrna's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town of Smyrna
Office of the Finance Director
315 South Lowry
Smyrna, Tennessee 37167
E-mail: mark.tucker@townofsmyrna.org

BASIC FINANCIAL STATEMENTS

TOWN OF SMYRNA, TENNESSEE

Statement of Net Assets

June 30, 2005

<u>Assets</u>	Primary Government		Total	Component Unit
	Governmental Activities	Business Activities		Industrial Development Fund
Cash and cash equivalents	\$15,863,412	13,627,084	29,490,496	37,255
Receivables (net of allowance for uncollectibles)				
Taxes	6,058,739	-	6,058,739	-
Due from other governments	3,879,076	146,050	4,025,126	-
Accounts receivable	182,715	2,616,341	2,799,056	2,500
Inventories, at cost	62,547	255,365	317,912	-
Internal balances	(130,337)	130,337	-	-
Restricted assets:				
Cash and equivalents - customer and developer deposits	-	512,012	512,012	-
Investments-bond proceeds	-	8,585,690	8,585,690	-
Other	-	4,200	4,200	-
Note receivable	228,937	332,650	561,587	-
Other assets	10,307	216,298	226,605	125,106
Non-depreciable capital assets	3,538,059	3,226,681	6,764,740	-
Depreciable capital assets (net of accumulated depreciation)	74,248,902	93,729,379	167,978,281	3,780,347
 Total Assets	 \$103,942,357	 123,382,087	 227,324,444	 3,945,208
 <u>Liabilities</u>				
Accounts payable	\$718,126	1,013,491	1,731,617	-
Accrued liabilities	1,085,121	398,466	1,483,587	-
Interest payable	1,120	99,727	100,847	15,050
Contracts payable	1,366,275	1,022,285	2,388,560	-
Deferred revenue	5,864,256	-	5,864,256	-
Liabilities payable from restricted assets	-	1,419,703	1,419,703	-
Long-term liabilities due within one year	1,420,506	2,228,066	3,648,572	50,000
Long-term liabilities due in more than one year	4,976,381	24,522,777	29,499,158	4,050,000
 Total Liabilities	 15,431,785	 30,704,515	 46,136,300	 4,115,050
 <u>Net Assets</u>				
Investments in capital assets, net of related debt	72,761,202	77,883,216	150,644,418	(319,653)
Restricted for:				
Capital projects	-	-	-	-
Highways and streets	418,214	-	418,214	-
Law enforcement	70,032	-	70,032	-
Unrestricted	15,261,124	14,794,356	30,055,480	149,811
Total Net Assets	 \$88,510,572	 92,677,572	 181,188,144	 (169,842)

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2005

Functions / Programs:	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total	Component Unit Industrial Development Fund
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
Primary Government:					Governmental Activities	Business-type Activities		
Governmental Activities:								
General government	\$5,563,874	1,974,949	-	250,000	(3,338,925)	-	(3,338,925)	-
Public safety:								
Police	6,641,013	992,196	24,283	-	(5,624,534)	-	(5,624,534)	-
Fire	4,027,527	-	-	539,659	(3,487,868)	-	(3,487,868)	-
Highways and streets	4,095,570	352,236	925,265	6,565,527	3,747,458	-	3,747,458	-
Recreation	3,657,874	1,521,377	-	2,428,744	292,247	-	292,247	-
Community Development	1,271,640	332,359	-	-	(939,281)	-	(939,281)	-
Interest expense on long-term debt	115,232	-	-	-	(115,232)	-	(115,232)	-
Total Government Activities	<u>25,372,730</u>	<u>5,173,117</u>	<u>949,548</u>	<u>9,783,930</u>	<u>(9,466,135)</u>	<u>-</u>	<u>(9,466,135)</u>	<u>-</u>
Business-type Activities								
Water and Sewer	8,356,911	8,123,010	-	2,833,215	-	2,599,313	2,599,313	-
Natural Gas	19,591,008	19,959,549	-	233,849	-	602,390	602,390	-
Total Business-type Activities	<u>27,947,919</u>	<u>28,082,559</u>	<u>-</u>	<u>3,067,064</u>	<u>-</u>	<u>3,201,703</u>	<u>3,201,703</u>	<u>-</u>
Total Primary Government	<u>\$53,320,649</u>	<u>33,255,676</u>	<u>949,548</u>	<u>12,850,994</u>	<u>(9,466,135)</u>	<u>3,201,703</u>	<u>(6,264,432)</u>	<u>-</u>
Component Unit								
Industrial Development Fund	<u>171,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(171,164)</u>
General Revenues:								
Property taxes and in lieu of tax					\$5,751,277	-	5,751,277	-
Sales taxes					5,552,537	-	5,552,537	-
Other locally assessed taxes					1,499,724	-	1,499,724	-
Other state shared taxes					2,129,379	-	2,129,379	-
Unrestricted investment earnings and rental income					494,020	211,476	705,496	1,322
Other					35,937	-	35,937	-
Transfers					512,850	(512,850)	-	-
Total general revenues and transfers					<u>15,975,724</u>	<u>(301,374)</u>	<u>15,674,350</u>	<u>1,322</u>
Change in net assets					6,509,589	2,900,329	9,409,918	(169,842)
Net assets - beginning of year, as restated					82,000,983	89,777,243	171,778,226	-
Net assets - end of year					<u>\$88,510,572</u>	<u>92,677,572</u>	<u>181,188,144</u>	<u>(169,842)</u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2005

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$12,127,759	67,665	3,331,023	15,526,447
Receivables (net of allowance for uncollectibles)				
Taxes	6,074,902	-	-	6,074,902
Due from other governments	1,464,607	2,257,984	156,485	3,879,076
Accounts receivable	171,222	-	263	171,485
Due from other funds	1,466,836	31,942	-	1,498,778
Inventory of supplies	22,932	-	39,615	62,547
Note receivable	-	228,937	-	228,937
Prepaid items	-	-	10,307	10,307
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$21,328,258</u>	<u>2,586,528</u>	<u>3,537,693</u>	<u>27,452,479</u>
 <u>Liabilities and Fund Balances</u>				
Accounts payable	\$266,035	154,685	93,445	514,165
Accrued costs	1,029,637	-	55,484	1,085,121
Due to other funds	-	1,466,836	31,942	1,498,778
Contracts payable	240,388	1,061,809	64,078	1,366,275
Deferred revenue	6,724,368	-	79,853	6,804,221
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>8,260,428</u>	<u>2,683,330</u>	<u>324,802</u>	<u>11,268,560</u>
 Fund Balance:				
Reserved for prepaid items and inventory	22,932	-	39,615	62,547
Reserved for project	147,586	-	-	147,586
Reserved for notes receivable	-	221,665	-	221,665
Unreserved and undesignated				
General Fund	12,897,312	-	-	12,897,312
Capital Projects Fund	-	(318,467)	-	(318,467)
Special Revenue Funds	-	-	3,173,276	3,173,276
Total Fund Balances	<u>13,067,830</u>	<u>(96,802)</u>	<u>3,212,891</u>	<u>16,183,919</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$21,328,258</u>	<u>2,586,528</u>	<u>3,537,693</u>	<u>27,452,479</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, 2005

Amounts reported for fund balance - total governmental funds	\$16,183,919
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	77,786,961
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	807,065
Property taxes receivable	116,737
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.	13,897
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.	(1,120)
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	(4,985,187)
Capital leases payable	(40,572)
Compensated absences	(1,371,128)
	<hr/>
Net assets of governmental activities	<u>\$88,510,572</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, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$10,896,614	-	-	10,896,614
Payment in lieu of taxes	1,838,262	-	-	1,838,262
Licenses and permits	890,528	-	2,183,786	3,074,314
Intergovernmental	2,192,466	2,073,043	850,208	5,115,717
Fines and forfeits	932,344	-	59,852	992,196
Uses of money and property	2,428,473	10,478	1,337,493	3,776,444
Miscellaneous	73,007	250,000	-	323,007
Total Revenues	19,251,694	2,333,521	4,431,339	26,016,554
<u>Expenditures</u>				
Current:				
General government	4,603,485	114,671	-	4,718,156
Public safety:				
Police	5,960,397	97,254	88,059	6,145,710
Fire	3,315,189	132,549	-	3,447,738
Highways and streets	1,054,296	28,570	425,333	1,508,199
Recreation	1,677,278	55,971	1,241,521	2,974,770
Community development	1,049,620	-	-	1,049,620
Debt service	-	-	865,116	865,116
Capital outlay	-	5,988,405	18,331	6,006,736
Total Expenditures	17,660,265	6,417,420	2,638,360	26,716,045
Excess (deficiency) revenues over expenditures	1,591,429	(4,083,899)	1,792,979	(699,491)
<u>Other Financing Sources (Uses)</u>				
Public Building Authority loan issuance	-	1,339,786	-	1,339,786
Transfers in	562,850	2,389,211	904,492	3,856,553
Transfers out	(1,562,071)	-	(1,781,632)	(3,343,703)
Total Other Financing Source (Uses)	(999,221)	3,728,997	(877,140)	1,852,636
Net change in fund balance	592,208	(354,902)	915,839	1,153,145
Fund balance, beginning of year	12,475,622	258,100	2,297,052	15,030,774
Fund balance, end of year	\$13,067,830	(96,802)	3,212,891	16,183,919

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, 2005

Net change in fund balances-total governmental funds: \$1,153,145

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	6,076,186
Depreciation expense	(4,350,714)
Loss on disposal of capital assets	(37,070)

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

Property taxes	(12,671)
Local option sales tax	81,333
State shared taxes	36,253
Contributed capital assets	5,207,651

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	747,178
Debt issuance	(1,339,786)

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

Interest on capital leases	2,706
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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	(900,923)
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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)

(153,699)

Change in net assets of governmental activities	\$6,509,589
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See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Net Assets

Proprietary Funds

June 30, 2005

	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	\$6,401,003	7,226,081	13,627,084	336,965
Cash and cash equivalents - restricted	96,594	415,418	512,012	-
Investments - restricted	907,691	-	907,691	-
Receivables:				
Utility customers, net of allowance for estimated uncollectible	945,820	1,670,521	2,616,341	11,230
Grant receivable	146,050	-	146,050	-
Note receivable, current portion	33,759	-	33,759	-
Total Accounts Receivable	1,125,629	1,670,521	2,796,150	11,230
Due from other funds	-	-	-	-
Inventory, at cost	132,517	122,848	255,365	-
Total Current Assets	8,663,434	9,434,868	18,098,302	348,195
Noncurrent Assets:				
Restricted Assets:				
Investments	7,677,999	-	7,677,999	-
Special assessments and other receivable	4,200	-	4,200	-
Total Noncurrent Restricted Assets	7,682,199	-	7,682,199	-
Property, Plant and Equipment	118,648,904	19,454,219	138,103,123	-
Less accumulated depreciation	(33,342,986)	(7,804,077)	(41,147,063)	-
Total Property, Plant and Equipment, Net	85,305,918	11,650,142	96,956,060	-
Other Assets:				
Note receivable, net of current portion	298,891	-	298,891	-
Bond issuance cost-net of amortization	216,298	-	216,298	-
Total Other Assets	515,189	-	515,189	-
Total Noncurrent Assets	93,503,306	11,650,142	105,153,448	-
Total Assets	<u>\$102,166,740</u>	<u>21,085,010</u>	<u>123,251,750</u>	<u>348,195</u>
<u>Liabilities</u>				
Liabilities:				
Current Liabilities (payable from current assets):				
Accounts payable	\$204,005	809,485	1,013,490	203,961
Accrued expenses	272,610	125,857	398,467	-
Contracts payable	958,382	63,903	1,022,285	-
Interest payable	99,727	-	99,727	-
Due to other funds	-	-	-	-
Current maturities of long-term debt	2,228,066	-	2,228,066	-
Total Current Liabilities (payable from current assets)	3,762,790	999,245	4,762,035	203,961
Current Liabilities (payable from restricted assets):				
Construction bonds	52,825	-	52,825	-
Contracts payable	907,691	-	907,691	-
Customer deposits and project assistance	43,769	415,418	459,187	-
Total Current Liabilities (payable from restricted assets)	1,004,285	415,418	1,419,703	-
Noncurrent Liabilities:				
Long-term debt, net of current maturities	24,522,777	-	24,522,777	-
Total Liabilities	29,289,852	1,414,663	30,704,515	203,961
<u>Net Assets</u>				
Invested in capital assets, net of related debt	66,233,074	11,650,142	77,883,216	-
Unrestricted	6,643,814	8,020,205	14,664,019	144,234
Total Net Assets	<u>\$72,876,888</u>	<u>19,670,347</u>	<u>92,547,235</u>	<u>144,234</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	117,473	12,864	130,337	
Net assets of business-type activities	<u>\$72,994,361</u>	<u>19,683,211</u>	<u>92,677,572</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, 2005

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
Operating Revenues:				
Services	\$7,984,610	19,800,180	27,784,790	3,121,703
Other	13,446	6,645	20,091	-
Forfeited discounts	124,954	152,724	277,678	-
Total Operating Revenues	<u>8,123,010</u>	<u>19,959,549</u>	<u>28,082,559</u>	<u>3,121,703</u>
Operating Expenses:				
Gas purchases	-	17,484,822	17,484,822	-
Salaries	1,726,615	417,314	2,143,929	-
Benefits and payroll taxes	728,505	254,760	983,265	3,188,601
Travel	-	4,982	4,982	-
Outside services	432,342	43,930	476,272	-
Telephone and utilities	1,069,362	23,077	1,092,439	-
Maintenance and repair	289,370	52,792	342,162	-
Operating supplies	557,667	124,280	681,947	-
Insurance	108,466	75,529	183,995	-
Professional services	32,873	40,717	73,590	-
Depreciation and amortization	2,590,889	682,951	3,273,840	-
Administrative support services	474,108	336,417	810,525	-
Other	53,160	48,339	101,499	-
Total Operating Expenses	<u>8,063,357</u>	<u>19,589,910</u>	<u>27,653,267</u>	<u>3,188,601</u>
Operating Income (loss)	<u>59,653</u>	<u>369,639</u>	<u>429,292</u>	<u>(66,898)</u>
Non-Operating Revenues (Expenses):				
Interest income	86,867	122,816	209,683	9,761
Gain on sale of capital assets	-	-	-	-
Interest expenses	(389,421)	-	(389,421)	-
Total Non-Operating Revenues (Expenses)	<u>(302,554)</u>	<u>122,816</u>	<u>(179,738)</u>	<u>9,761</u>
Net Income (loss) Before Contributions and Transfers	<u>(242,901)</u>	<u>492,455</u>	<u>249,554</u>	<u>(57,137)</u>
Contributions:				
Capital contributions - tap fees	2,181,167	233,849	2,415,016	-
Capital grant	122,338	-	122,338	-
Contributions from developers - non cash	529,710	-	529,710	-
Transfers out	<u>(377,159)</u>	<u>(135,691)</u>	<u>(512,850)</u>	<u>-</u>
Change in Net Assets	<u>2,213,155</u>	<u>590,613</u>	<u>2,803,768</u>	<u>(57,137)</u>
Net Assets, Beginning of Year, as restated	<u>70,663,733</u>	<u>19,079,734</u>	<u>89,743,467</u>	<u>201,371</u>
Net Assets, End of Year	<u>\$72,876,888</u>	<u>19,670,347</u>	<u>92,547,235</u>	<u>144,234</u>
Change in Net Assets shown above	2,213,155	590,613	2,803,768	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>97,097</u>	<u>(536)</u>	<u>96,561</u>	
Change in net assets of business-type activities	<u>\$2,310,252</u>	<u>590,077</u>	<u>2,900,329</u>	

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
Cash Flows from Operating Activities:				
Cash received from customers	\$7,914,631	19,896,992	27,811,623	-
Cash paid to employees for services	(1,723,295)	(422,518)	(2,145,813)	-
Cash paid to suppliers for goods and services	(3,133,464)	(18,256,237)	(21,389,701)	-
Payments for interfund administrative support services	(377,159)	(336,417)	(713,576)	-
Interfund advance receipts	-	3,254	3,254	-
Interfund advance repayments	(49,355)	(13,208)	(62,563)	-
Cash received on customer deposits	-	57,868	57,868	-
Premiums received	-	-	-	3,348,240
Medical claims and administrative expenses paid	-	-	-	(3,452,824)
Net Cash Provided (Used) by Operating Activities	<u>2,631,358</u>	<u>929,734</u>	<u>3,561,092</u>	<u>(104,584)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of property, plant, and equipment	(4,372,688)	(897,325)	(5,270,013)	-
Purchase of investments	(10,000,000)	-	(10,000,000)	-
Sale of investments	1,414,310	-	1,414,310	-
Cash received on note receivable	31,798	-	31,798	-
Cash received on construction bonds	5,454	-	5,454	-
Interest paid on debt	(516,705)	-	(516,705)	-
Interfund advance receipts	-	-	-	-
Capital grant proceeds	278,494	-	278,494	-
Cash paid for debt issue costs	(64,999)	-	(64,999)	-
Cash received on debt issuance	10,000,000	-	10,000,000	-
Payments on long-term debt	(1,727,172)	-	(1,727,172)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,951,508)</u>	<u>(897,325)</u>	<u>(5,848,833)</u>	<u>-</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers	(377,159)	(135,691)	(512,850)	-
Contributed equity-from customers	2,210,217	233,849	2,444,066	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,833,058</u>	<u>98,158</u>	<u>1,931,216</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest received on investments	86,867	122,816	209,683	9,760
Net Cash Provided (Used) by Investing Activities	<u>86,867</u>	<u>122,816</u>	<u>209,683</u>	<u>9,760</u>
Net Increase (Decrease) in Cash	(400,225)	253,383	(146,842)	(94,824)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>6,897,822</u>	<u>7,388,116</u>	<u>14,285,938</u>	<u>431,789</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$6,497,597</u>	<u>7,641,499</u>	<u>14,139,096</u>	<u>336,965</u>

Continued on next page

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds, Continued

For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>				
Operating income (loss)	\$59,653	369,639	429,292	(\$66,898)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,590,889	682,951	3,273,840	-
(Increase) decrease in:				
Accounts receivable	(208,379)	(62,557)	(270,936)	(11,230)
Inventory	57,617	12,355	69,972	-
Prepaid expenses	-	-	-	-
Due from other funds	-	3,254	3,254	237,767
Increase (Decrease) in:				
Accounts payable	23,533	(182,108)	(158,575)	(264,223)
Accrued expenses	157,400	61,540	218,940	-
Due to other funds	(49,355)	(13,208)	(62,563)	-
Customer deposits	-	57,868	57,868	-
Net Cash Provided (used) for Operating Activities	<u>\$2,631,358</u>	<u>929,734</u>	<u>3,561,092</u>	<u>(104,584)</u>

Supplemental Schedule of Non-Cash Capital Financing Activities

In fiscal 2005, the Town accepted \$529,710 in contributed water and sewer lines from developers.

In fiscal 2005, the Town liquidated contracts payable in the water and sewer utility fund in the amount of \$28,560 and liquidated contracts payable in the natural gas fund in the amount of \$4,444 related to plant and equipment in those funds.

In fiscal 2005, a restatement in the water and sewer fund resulted in a decrease in accounts payable of \$116,113.

Note: Capitalized interest costs (net of related interest income) in the Water and Sewer Fund were \$165,367 for 2005.

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Fiduciary Net Assets

Pension Fund

June 30, 2005

Assets

Investments, at fair value:

Money market funds	\$39,710
Mutual funds	811,069
U S government securities	907,053
Corporate bonds	764,734
Stocks	65,023
Interest receivable	23,720

Total Assets

\$2,611,309

Liabilities

Liabilities

-

Net Assets

Held in Trust for Pension Benefits

2,611,309

Total Net Assets Held in Trust for Pension Benefits

\$2,611,309

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, 2005

<u>Additions</u>	
Contributions - employer	\$158,012
Investment earnings	
Interest, dividends and other investment income (loss)	88,920
Net increase (decrease) in fair value of investments	41,879
Net investment earnings	<u>130,799</u>
 Total additions	 <u>288,811</u>
<u>Deductions</u>	
Pension benefits	<u>95,881</u>
 Total deductions	 <u>110,603</u>
 Change in net assets	 178,208
 Net assets held in trust for pension benefits beginning of year	 <u>2,433,101</u>
 Net assets held in trust for pension benefits end of year	 <u><u>\$2,611,309</u></u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2005

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The Town provides the following services as authorized by its charter: public safety (police and fire departments), highways and streets, cultural and recreation, public improvements, planning and zoning, utilities (water, sewer and natural gas), and general administrative services. The Town also administers a pension plan and insurance internal service fund for the benefit of its employees.

The financial statements of the Town of Smyrna have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the government and its component units. Component units are entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations. Each discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. The following is a description of the discretely presented component unit.

The Industrial Development Board was created to finance, acquire, own, lease and or dispose of properties to increase employment opportunities, housing availability and to promote industry and trade in the Town. The Board is appointed by the Town Council. The Board has issued bonds to construct housing units which are leased to the Housing Authority. The bonds are revenue and tax bonds backed by the Town. The project was completed during the fiscal year and rents will begin in fiscal 2006. Separate financial statements are not issued for the component unit.

Related Organizations

The Town appoints the board of Smyrna Housing Authority; however, the Town's accountability does not extend beyond making the appointments, and the related organization has not been included as part of the reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants (including fines and fees) who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period, except for property taxes which are collected within 60 days of year end. Sales taxes and other shared revenues through intermediary collecting governments are considered measurable and available if received within 30 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when payment is due.

Property taxes, franchise taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major government capital assets, improvements or repairs.

The Town reports the following major proprietary funds:

The Water & Sewer Fund accounts for the water and waste water services provided to customers of the system.

The Natural Gas Fund accounts for the provision of natural gas service to customers of the system.

Additionally, the Town reports the following fund types:

Internal service fund, to account for costs associated with the employees' health insurance plan.

Pension trust fund to account for the activities of the pension plans maintained for employees of the Town, which accumulates resources for pension payments to qualified employees.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow private-sector guidance.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants (including fines and fees) for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

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

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

Joint Venture

The Town appoints 2 of 5 members of the Smyrna/Rutherford County Airport Authority with the other members being appointed by the county and City of LaVergne. The Town has no equity interest in the joint venture; however, the Town is responsible to appropriate funds to supplement short-falls in operation. Required disclosures regarding this joint venture is included in Note 9.

Cash, Cash Equivalents and Investments

The Town of Smyrna is authorized to invest in U.S. Treasury Bills, mutual funds and certificates of deposit in local banks as well as participate in the Local Government Investment Pool administered by the State of Tennessee. The pool contains investments in certificates of deposits, U.S. Treasury securities and Repurchase Agreements, backed by the U.S. Treasury Securities. The investment pool is administered by the Treasurer of the State of Tennessee. Town policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the State Collateral Pool or be deposited in an escrow account in another institution for the benefit of the Town of Smyrna and must be a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal deposit insurance. The state collateral pool is administered by the Treasurer of the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency.

Under this additional agreement, public fund accounts covered by the pool are considered to be classified as category one insured credit risk in accordance with GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements. An agent of the Town manages the investments of the Pension Fund and is authorized to make such purchases as is deemed in the best interest of the Town. All investments are stated at fair value.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments, (Continued)

Cash and cash equivalents consist of cash, savings accounts and short-term certificates of deposit with an original maturity of three months or less. Due to liquidity, the Town considers the funds deposited in the local government investment pool as a cash equivalent for financial statement and cash flow purposes. The fair value of the position in the investment pool is the same as the value of the pool shares.

Inventory and Prepaid Items

Inventory of proprietary funds, principally materials, supplies and replacement parts, is valued using the first-in, first-out method (FIFO). Any inventories of governmental funds have been valued at cost also using the first-in, first-out method (FIFO). Inventory of governmental funds are accounted for on the consumption basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

All trade receivables and property tax receivables, are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 10 percent of outstanding undeferred receivable.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$4,000 and an estimated useful life in excess of three years. Infrastructure capital assets are defined as assets with an individual cost of more than \$50,000 and an estimated life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest in the amount of \$165,367 was capitalized during the year.

Depreciation has been provided over estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure (roads, bridges)	15-40 years
Buildings	25-50 years
Distribution systems	10-50 years
Equipment	3-10 years
Furniture and fixtures	3-10 years

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Claims Payable

Medical insurance claims payable are classified as accounts payable and are recorded in accordance with GASB Statement Number 10.

Appropriations

Appropriations to other funds are accounted for as inter-fund transfers in the governmental fund statements, and are eliminated in the government-wide statements. Quasi-external transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as revenues in the fund being reimbursed and expenses in the fund reimbursing.

Compensated Absences

The Town adopted a paid time off (PTO) policy on 10/12/2004 for its regular full-time employees. All full-time employees accrue from 144 to 224 hours of PTO per year, based on years of service, to a maximum of 480 hours. Upon implementation of this policy, excess existing vacation and sick time over 360 hours was moved to a separate sick leave bank to be used by the employee for any approved Family and Medical Leave Act event. No amount of this sick leave bank shall be paid upon employee termination and all sick leave credit is lost except in the case of retirement for participants in the Town of Smyrna Pension Plan, at which time every twenty workdays of accrued sick leave credit counts as one month time in service towards retirement. All PTO pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee terminations or retirements. Governmental compensated absences are typically liquidated by the General and Golf Course Funds.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable loss on refundings. Bond issue costs are reported net of amortization in other assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax

The Town's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made. Since the enforceable legal claim is not until the next fiscal year, these taxes are deferred. Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Industrial and Commercial Property		Public Utility Property	55%
- Real	40%	Farm and Residential Property	25%
- Personal	30%		

Taxes were levied at a rate of \$.69 and .69 per \$100 of assessed valuation for fiscal years 2005 and 2004 respectively. Payments may be made during the period from October 1 through February 28. Current tax collections of \$3,821,158 for the fiscal year ended June 30, 2005 were approximately 97.8 percent of the tax levy. Delinquent taxes past due for fourteen months are turned over to the county clerk for collection.

The government-wide financial statements report taxes receivable of \$6,058,739 which is net of an allowance for doubtful collections of \$16,163. Of this receivable amount, \$157,934 represents prior year property taxes, \$4,193,717 represents the estimated net realizable 2005 property taxes and \$1,622,124 represents estimated net realizable 2005 in lieu of tax. These amounts are included in deferred revenue since they are not available until the next fiscal year. The receivable reported in the governmental funds balance sheet is \$6,074,902 with an offsetting deferred revenue for amounts not available at June 30, 2005. The additional amount included in taxes receivable reported in the statements of \$101,127 is for beer and motel taxes.

2) DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires deposits to be 105 percent secured by collateral, less the amount of Federal Deposit Insurance Corporation insurance (FDIC) or deposited in an institution which participates in the State Collateral Pool. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. The Town approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of Town staff.

At June 30, 2005 there were no amounts exposed to custodial credit risk.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

2) DEPOSITS AND INVESTMENTS (Continued)

Investments

At June 30, 2005, the Town's reporting entity had the following investments:

Types of Investments:	<u>Fair Value/ Carrying Amount</u>	<u>Weighted Average Days to Maturity</u>	<u>Average Credit Quality/ Ratings</u>
Primary Government:			
Tennessee Municipal Bonds	\$ 8,500,000	11,100	AAA
Money Market Funds	85,690	N/A	N/A
Local Government Investment Pool	<u>12,338,505</u>	N/A	N/A
Total	\$ 20,924,195		
Liquid investments (Cash equivalents)			
	<u>(12,338,505)</u>		
	<u>\$ 8,585,690</u>		
Fiduciary Fund-Pension Fund:			
Common Stock	\$ 65,023	N/A	N/A
Government Securities:			
Federal Home Loan Bank	684,146	1,188	AAA
Federal Farm Credit Bank	25,162	2,123	AAA
FHLMC	25,000	2,080	AAA
Federal Home Loan Mortgage	98,738	643	AAA
Federal National Mortgage	74,007	626	AAA
Corporate Obligations	764,734	430	AA to BB
Money Market Fund	39,710	N/A	N/A
Mutual Funds Equity	<u>811,069</u>	N/A	N/A
	<u>\$ 2,587,589</u>		

Interest Rate Risk:

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk:

The Town's general investment policy is to apply the prudent-person rule: investments are made as a prudent person should be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and in general, avoid speculative investments.

Concentration of Credit Risk:

The Town policy is to limit investments in the pension plan to a maximum of 40% equity classified investments. As of June 30, 2005, the Town had four investments in an organization that represents 5 per cent or more of total investments.

Federal Home Loan Bank	\$ 684,146
TN Educational FDG South, Inc	1,900,000
ED FDG South, Inc TN EOL LN Rev	5,000,000
Educational FDG South Inc TN EDL	1,600,000

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

3) CAPITAL ASSETS

Governmental Activities

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance <u>July 1, 2004</u>	Reclasses & <u>Increases</u>	Reclasses & <u>Decreases</u>	Balance <u>June 30, 2005</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,488,924	-	-	2,488,924
Construction in progress	3,721,908	473,584	3,146,357	1,049,135
<u>Capital assets being depreciated:</u>				
Buildings	15,132,204	-	-	15,132,204
Improvements other than buildings	8,631,712	2,949,953	-	11,581,665
Equipment	10,578,415	1,162,526	401,174	11,339,767
Infrastructure	<u>62,457,197</u>	<u>10,129,121</u>	<u>46,337</u>	<u>72,539,981</u>
Total	<u>\$103,010,360</u>	<u>14,715,184</u>	<u>3,593,868</u>	<u>114,131,676</u>
<u>Accumulated Depreciation</u>				
Buildings	\$ 8,566,003	504,328	-	9,070,331
Improvements	1,021,490	430,838	-	1,452,328
Equipment	7,701,114	1,030,843	116,184	8,615,773
Infrastructure	<u>14,830,845</u>	<u>2,384,705</u>	<u>9,267</u>	<u>17,206,283</u>
Total accumulated depreciation	<u>\$ 32,119,452</u>	<u>4,350,714</u>	<u>125,451</u>	<u>36,344,715</u>
Governmental activities capital assets-net	<u>\$ 70,890,908</u>			<u>77,786,961</u>

Depreciation expense, including depreciation on assets acquired through capital leases, was charged to functions/programs of the primary government as follows:

General Government	\$ 332,809
Public Safety	
Police	308,941
Fire	367,753
Highways and street	2,559,744
Recreation	667,147
Community development	<u>114,320</u>
	<u>\$ 4,350,714</u>

Current year additions include improvements donated from developers of \$5,207,651 and \$69,540 in park improvements.

Business-Type Activities:

Capital assets of the Enterprise Funds consisted of the following at June 30, 2005:

<u>Asset</u>	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Balance</u> <u>Decreases</u>	<u>Water and</u> <u>June 30, 2005</u>	<u>Sewer Fund</u>	<u>Component</u> <u>Gas Fund</u>	<u>Unit</u>
<u>Capital assets not being depreciated</u>							
Land and land rights	\$ 1,595,536	66,804	-	1,662,340	1,457,106	205,234	-
Construction in progress	23,380,349	-	21,816,008	1,564,341	1,557,951	6,390	-
<u>Capital assets being depreciated</u>							
Utility plant and buildings	104,084,600	25,589,807	-	129,674,407	112,976,031	16,698,376	3,855,320
Machinery and equipment	5,040,039	161,996	-	5,202,035	2,657,816	2,544,219	-
<u>Less accumulated depreciation</u>							
Utility plant and buildings	(33,734,624)	(3,020,607)	-	(36,755,231)	(31,276,536)	(5,478,695)	(74,973)
Machinery and equipment	(4,162,045)	(229,787)	-	(4,391,832)	(2,066,448)	(2,325,384)	-
Total	<u>\$ 96,203,855</u>	<u>22,568,213</u>	<u>21,816,008</u>	<u>96,956,060</u>	<u>85,305,920</u>	<u>11,650,140</u>	<u>3,780,347</u>
Current year depreciation					<u>\$ 2,567,443</u>	<u>682,951</u>	<u>74,973</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

4) RECEIVABLES AND DEFERRED REVENUE

A summary of receivables at June 30, 2005 is as follows:

	<u>Enterprise Funds</u>					<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Nonmajor Funds</u>	
Property taxes	\$ 4,351,651	-	-	-	-	4,351,651
Other taxes & in lieu taxes	1,723,251	-	-	-	-	1,723,251
Grants receivable	-	1,975,799	146,050	-	-	2,121,849
Customer	182,452	-	1,005,899	1,817,610	263	3,006,224
Other governments	1,464,607	282,185	-	-	156,485	1,903,277
Less allowance	<u>(16,163)</u>	<u>-</u>	<u>(60,079)</u>	<u>(147,089)</u>	<u>-</u>	<u>(223,331)</u>
	<u>\$ 7,705,798</u>	<u>2,257,984</u>	<u>1,091,870</u>	<u>1,670,521</u>	<u>156,748</u>	<u>12,882,921</u>

The financial statements also include two notes receivable. The Capital Projects Fund includes a note receivable from the Housing Authority in the amount of \$228,937. The note accrues interest at 4.5% and is repayable in monthly installments of \$1,452 through June 2025. The noncurrent portion of the note is reserved in the governmental funds financial statements. The Enterprise Fund includes a note receivable from the Airport Authority, a joint venture of the Town, in the amount of \$332,650, related to a construction project. The note is repayable in monthly installments of \$4,400 including interest at 6% over fourteen years.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not earned. At year end the various components of deferred revenue reported in the governmental funds were as follows:

Unlevied property taxes (unavailable)	\$ 4,193,717
Delinquent property taxes (unavailable)	132,900
Unlevied in lieu of taxes (unavailable)	1,622,124
State and county shared taxes (unavailable)	830,354
Other (unearned)	<u>25,126</u>
	<u>\$ 6,804,221</u>

Deferred revenue in the government-wide financial statements include amounts for revenues received but unearned as well as amounts for property and state shared income taxes which are not available to the Town until the next fiscal year which amounted to \$5,864,256.

5) RESTRICTED ASSETS

A summary of restricted assets at June 30, 2005 is as follows:

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	
Cash	\$ 96,594	415,418	512,012
Investments	8,585,690	-	8,585,690
Special assessments and other receivable	<u>4,200</u>	<u>-</u>	<u>4,200</u>
Total	<u>\$8,686,484</u>	<u>415,418</u>	<u>9,101,902</u>

Cash and investments are restricted for construction bonds, customer deposits and amounts for construction projects. Special assessments receivable are restricted for sewer extensions.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

6) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities for general government purposes.

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. These bonds relate to the Water and Sewer Enterprise Fund. Should water and sewer revenues be insufficient to pay the debt service, the debt is payable from the taxing authority of the Town.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2005:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2005</u>	Payable Within <u>One Year</u>
Governmental Activities:					
General obligation loan	\$ 4,297,229	1,339,786	651,828	4,985,187	679,934
Capital Leases	135,922	-	95,350	40,572	40,572
Compensated absences	<u>470,205</u>	<u>1,702,576</u>	<u>801,653</u>	<u>1,371,128</u>	<u>700,000</u>
Total	<u>\$ 4,903,356</u>	<u>3,042,362</u>	<u>1,548,831</u>	<u>6,396,887</u>	<u>1,420,506</u>
Business-type Activities:					
Revenue and tax bonds	<u>\$ 18,655,985</u>	<u>10,000,000</u>	<u>1,727,172</u>	26,928,813	<u>2,228,066</u>
Deferred amount on refunding				<u>(177,970)</u>	
				<u>\$26,750,843</u>	

During 2005, the Town changed policies related to vacation and sick leave which significantly increased the compensated absences liability.

Long-term debt payable at June 30, 2005 is comprised of the following:

Governmental Activities

1998 Issue Public Building Authority Loan (\$3,615,625) due in increasing annual installments through May 2013 at varying levels of interest based on weekly remarketing prices through the bond index. There is no cap on the interest rate. \$ 3,026,187

2001 Issue Public Building Authority Loan (\$3,000,000) due in increasing annual installments through May 2004 at varying levels of interest based on weekly remarketing prices through the bond index. There is no cap on the interest rate. 1,959,000

\$ 4,985,187

The Town has entered into leases for the purchase of certain governmental capital assets. The leases require repayment terms and have been accounted for a financing transactions. The Town will obtain title to the leased capital assets by satisfying the minimum lease payments. The assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and equipment	\$ 182,657
Less accumulated depreciation	<u>(52,188)</u>
Total	<u>\$ 130,469</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

6) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE (Continued)

The future minimum lease obligations and the net present value of these lease payments at year end were as follows:

2006	\$	41,845
Less amount representing interest		<u>1,273</u>
Present value of lease payments	\$	<u><u>40,572</u></u>

Business-type Activities

Revenue and Tax Bonds:

1998 Issue Public Building Authority Loan (\$8,594,375) due in increasing annual installments through May 2003 at varying levels of interest, based on weekly remarketing prices through the bond index. There is no cap on the interest rate.	\$ 7,193,813
2001 Water and Sewer Revenue and Tax Refunding Bonds (\$4,120,000) due in annual installments through August 2014 at varying rates of interest levels of interest.	4,050,000
2002 Water and Sewer Revenue and Tax Refunding Bonds (\$2,220,000) due in annual installments through August 2006 at 2% interest.	1,475,000
2003 Water and Sewer Revenue and Refunding Bonds (\$4,750,000) due in annual installments through May 2018 at interest rates from 2% to 3.7%.	4,210,000
2004 Water and Sewer Revenue and Tax Bonds (\$10,000,000) due in annual installments through May 2024 at varying levels of interest.	<u>10,000,000</u>
Total Business-type Activities	\$ <u><u>26,928,813</u></u>

Component Unit

2003 Industrial Development Lease and Tax Bonds (\$4,100,000) due in annual installments through December 2034 at 1.9% to 4.1% interest rate	\$ <u><u>4,100,000</u></u>
--	----------------------------

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2005 including interest payments are as follows:

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Interest</u>	<u>Primary Government Total</u>	<u>Component Unit</u>
2006	\$ 679,934	\$2,228,066	1,168,344	4,076,344	230,125
2007	709,929	2,286,071	1,068,778	4,064,778	229,175
2008	740,516	2,405,484	957,840	4,103,840	228,075
2009	772,992	2,492,008	835,015	4,100,015	231,762
2010	807,356	2,580,644	705,515	4,093,515	230,250
2011-2015	1,274,460	8,251,540	1,886,245	11,412,245	1,142,600
2016-2020	-	3,985,000	750,925	4,735,925	1,393,905
2021-2025	-	2,700,000	207,750	2,907,750	1,384,169
2026-2030	-	-	-	-	1,466,140
2031-2035	-	-	-	-	1,165,004
	<u><u>\$4,985,187</u></u>	<u><u>26,928,813</u></u>	<u><u>7,580,412</u></u>	<u><u>39,494,412</u></u>	<u><u>7,701,205</u></u>

Refundings

The amount of defeased bonds outstanding from prior years refundings is \$3,950,000.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

7) PENSION PLAN AND DEFERRED COMPENSATION PLAN

Effective October 24, 1970, the Town established The Town of Smyrna Pension Plan, a single employer defined benefit pension plan, to provide benefits for employees of the Town. The Plan is administered by the Town of Smyrna Pension Plan Trustees who serve at the pleasure of the Mayor and Town Council. The Plan does not issue a stand-alone financial report nor is it included in the report of another entity. The assets of the Plan are invested at a local bank in accordance with the terms of the trust agreement. Effective June 30, 1999 the year the Town began the Retirement Choice Program which allowed participants of The Town of Smyrna Pension Plan to transfer accrued benefits in the Plan to a new Retirement Savings Plan. Many employees elected to transfer benefits and participate in the new plan. Employees hired after July 1, 1999 are not eligible to participate in the pension plan.

Benefits

The Town of Smyrna Pension Trustees establish the benefits of the plan and have the authority to amend such benefits with approval of the Town Council. The normal participant retirement is the earlier of (1) the later of the 65th birthday or the fifth year of participation and (2) the later of the 55th birthday or 30 years of service. The plan provides benefits, 1/12th of which are payable monthly over 120 months guaranteed, and for life thereafter computed as 1.5% of annual earnings multiplied by years of benefit service at normal retirement. The Plan also provides for certain benefits at early retirement and death before retirement.

Significant Accounting Policies

The pension plan fund financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due. Plan investments are reported at fair value, based on last reported sales price. Policies require accrual basis of accounting for contributions, benefits, and refunds.

Plan Membership Data

1.	Inactive Plan Participants:	
	a.) Retirees and Beneficiaries Currently Receiving Benefits	13
	b.) Terminated Employees Entitled to Deferred Benefits	<u>10</u>
	c.) Total	<u>23</u>
2.	Active Plan Participants:	
	a.) Vested (Fully and Partially)	38
	b.) Non-vested	<u>-</u>
	c.) Total	<u>38</u>

Contributions

The Town's funding policy as set by the Town of Smyrna Pension Trustees, is to contribute the amounts calculated under the actuarial cost method used to calculate the annual required contribution. The trustees serve at the pleasure of the Mayor and Town Council. Plan members are not required to contribute. The Town is required to contribute an amount necessary to finance the coverage of the employees through annual contributions at actuarially determined rates. Administrative costs are paid by the Town. Effective July 1, 1999, the cost method is the Projected Unit Credit Method with a 25 year level dollar amortization of the unfunded liability.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

7) PENSION PLAN (Continued)

Schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-see Note 1 (b)	Unfunded AAL (UAAL) (b-a)	Annual Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/95	\$ 1,832,238	2,029,893	197,655	90.3%	2,640,098	7.49%
10/1/96	2,171,056	2,349,543	178,487	92.4%	3,166,541	5.46%
10/1/97	2,609,787	3,222,644	612,857	81.0%	5,111,046	11.99%
10/1/98	3,143,025	3,730,112	587,087	84.3%	5,604,511	10.48%
07/1/99	1,980,857	1,865,898	(114,959)	106.8%	1,466,949	(7.48%)
07/1/00	2,017,136	2,000,025	(17,111)	100.8%	1,459,591	(1.17%)
07/1/01	2,045,907	2,204,335	158,428	92.8%	1,504,164	10.53%
07/1/02	2,103,375	2,532,468	429,093	83.1%	1,567,639	27.39%
07/1/03	2,247,052	2,740,790	493,738	82.0%	1,577,756	31.29%
07/1/04	2,429,582	2,914,452	484,870	83.4%	1,476,370	32.84%

Notes:

1. The Frozen Entry Age actuarial cost method does not independently calculate the Actuarial Accrued Liability (AAL). The amounts shown for AAL are the unfunded Frozen AAL plus the Actuarial Value of Assets on the actuarial valuation date for years 10/1/89 through 10/1/98. The Actuarial Cost Method was changed to Projected Unit Credit, effective July 1, 1999.
2. Actuarial assumptions have been modified periodically to reflect actual plan experience and expectations regarding future events. The most recent assumption revision was effective June 30, 1999 and changed the rate of retirement assumption. Inflation has been assumed at 3%.
3. The last plan amendment prior to July 1, 2002 was effective July 1, 1999. This plan amendment had a significant impact since it allowed participants to transfer accrued benefits in the plan to a new Retirement Savings Plan. Other plan amendments were adopted effective October 1, 1997 and 1996 to improve retirement benefits. The July 1, 2002 amendment had no impact on the liabilities of the plan.
4. The Town's contribution policy has been to amortize the unfunded Frozen AAL over twenty-five years (level dollar basis) (closed basis).

Schedule of Employer Contributions

<u>Fiscal Year End*</u>	<u>Required Contribution</u>	<u>Annual Percentage Contributed</u>
1995	\$ 199,962	100.00%
1996	207,585	100.00%
1997	241,932	100.00%
1998	445,380	100.00%
1999	322,201	100.00%
2000	97,890	100.00%
2001	109,151	100.00%
2002	129,484	100.00%
2003	158,715	100.00%
2004	165,000	100.00%
2005	158,012	100.00%

*Fiscal years 1980-1998 were September 30, year-ends. Fiscal year end became June 30 in 1999 year.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, (Continued)

7) PENSION PLAN, (Continued)

All actuarially determined required contributions for fiscal years beginning after June 15, 1996 have been paid to the pension trust. Therefore, the pension liability (asset) at transition is zero.

Summary of Actuarial Assumptions

	(Sample Values per 1,000 Lives)			
	AGE			
	20	35	50	60
<u>Mortality Rates</u>				
1983 Group Annuity Mortality Table				
Male	.38	.86	3.91	9.16
Female	.19	.48	1.65	4.24
<u>Withdrawal Rates</u>				
Estimated Experience (1 st Year Select)	171.00	164.70	138.50	109.70
Estimated Experience (2 nd Year Select)	70.40	68.70	61.50	53.00
Estimated Experience (Ultimate)	52.80	29.90	19.20	15.70

Disability Rates/Disabled Mortality/Recovery Rates

None Assumed.

Salary Scale

5% annual increase to age 85.

Rate of Retirement

Participants are assumed to retire: 20% at 55, 20% at 60, 30% at 62, and 30% at 65.

Rate of Investment Return

8% per annum.

Actuarial Valuation Method

Projected Unit Credit, with amortization of unfunded supplemental liability over 25 years.

Asset Valuation Method

Market Value.

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Town has no fiduciary responsibility under the provisions of the Plan. The Plan specifically provides that all assets under the Plan and all income attributable to those assets are solely the property of the employee.

Also, the Town established the Retirement Savings Plan which is in accordance with Internal Revenue Service Code Section 401A. The Plan is available to all Town employees with six months service with 1000 hours. The Town has no fiduciary responsibility. The Plan was established to hold assets transferred by participants who elected out of the Town of Smyrna Pension Plan and basic and matching contributions made by the Town. The Town contributes 3% of eligible employee pay for a basic contribution and match 50% of the employee 457 Plan contributions up to 6% of employee pay. Vesting of amount in the plan occurs at 20% per year until fully vested after five years. Any forfeited benefits by employees are used to reduce future contributions by the Town. During the fiscal year the Town contributed \$494,830 and the employees contributed \$477,661. Investments in both plans are managed by the Plan's trustee under a selection of mutual funds. The choice of the investment is made by the participants.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

8) COMMITMENTS AND CONTINGENCIES

Litigation:

There were several pending lawsuits in which the Town was involved, as well as certain unasserted claims and assessments. The major lawsuits relate to disputes with contractors regarding construction costs of the wastewater treatment plant. Costs of approximately \$1.6 million are in dispute. The Town contests the claims and intends to vigorously defend itself. The Town attorney is unable, at this time, to determine the probable outcome of such litigation; however, Town officials do not believe the eventual outcome will materially affect the financial condition of the Town and no provision has been made in the accompanying financial statements.

Commitments:

Golf Course and Park Leases:

The Town leases a golf course from the Smyrna/Rutherford County Airport Authority, a joint venture, under an agreement amended May 2001. The lease is through July 1, 2025, and is adjusted annually in July with the CPI. During 2005, the Town paid \$120,668 in rent to the Airport Authority.

The Town also leases a park from the Smyrna/Rutherford County Airport Authority under an agreement expiring May 2, 2009 with options for two successive terms of five years. The lease is subject to review at the end of each five year term to reflect changes in the fair market rental value of the property. During 2005, the Town paid \$10,519 in rent to the Airport Authority.

The Town has entered into an operating lease for golf course equipment, with one remaining payment of \$32,787 for 2006. The equipment can be purchased at fair market value at end of lease.

Contracts:

At June 30, 2005, several general government and utility construction projects were in progress. The contracts totaled approximately \$5,223,000. The projects were approximately 74% complete at year end. The major contract relates to a water tank project and parks project which is partially funded by a federal grant.

Contingencies

In a prior fiscal year the Town received a Department of Housing and Urban Development Home Investment Partnership Grant Note. The funds, in the amount of \$195,000, were passed through to a sub-recipient. This grant note is forgivable as long as the Town continues to meet the terms of the grant note through August 2019. Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally Federal and state governments. Any disallowed claims, including amounts already collected, could become a liability to the applicable fund.

The Town has been contacted by the U.S. Army Corps of Engineers regarding a possible assessment for water storage in the amount of \$3,112,213, as well as certain annual maintenance fees and sinking fund requirements. The Town's position is that they should be excluded from water storage charges and accordingly no liability is recorded in the accompanying financial statements.

The Town previously participated in the Local Government Insurance Cooperative (LOGIC), a public entity risk pool that operated as a common risk management and workers' compensation insurance program for approximately one hundred governmental entities. LOGIC was self-sustaining through member premiums and also obtained specific excess and aggregate excess coverage through a commercial insurance company. The Town has learned the commercial insurance company is in bankruptcy, and the Town will be assessed by LOGIC to help cover claims incurred during the Town's participation. All known assessments have been accrued. The Town does not believe, based on current information, any potential future assessments would be material to the Town's financial statements.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

8) COMMITMENTS AND CONTINGENCIES (Continued)

Contingency, (Continued):

The Town has received an order from the Tennessee Department of Environment and Conservation (TDEC) requiring the Town to pay a civil penalty of up to \$15,000 with the possibility of additional contingent penalties of \$85,000. The Town has estimated the penalty at \$13,500 and provided for this amount in the financial statements. The Town has appealed the order and is in the process of working through an agreed order with the TDEC.

9) JOINT VENTURES WITH RUTHERFORD COUNTY

In 1991, the Metropolitan Nashville Airport Authority transferred the assets of the airport to the Smyrna/Rutherford County Airport Authority. The Smyrna/Rutherford County Airport Authority is operated through a joint operations agreement between Rutherford County and the Town of Smyrna. The agreement provides that the county and Town will share in any funding shortfalls 60% and 40% respectively. At June 30, 2005, the Authority had net assets of \$32,566,732. Net operating losses for the 2005 and 2004 fiscal years were \$1,721,326 and \$1,708,462 respectively. During the year, the Town of Smyrna paid a total of \$131,187 in rent for use of Authority property for recreational purposes. Separate financial statements for this joint venture are available at Town of Smyrna City Hall from the Town Manager. The Town does not have an explicit claim to net resources. In the past five years of operation, it has not been necessary for the Town to provide supplemental funding. The Town has loaned \$497,784 to the Authority for utility improvements. Repayment of the loan began July 1999 in monthly installments of \$4,400 for fourteen years. Interest accrues at 6.0% and the balance is \$332,650.

10) INTERFUND TRANSACTIONS

Interfund receivables and payables are attributable to obligations for transfers between funds. The actual cash transfer had not been made at June 30, 2005. The composition of interfund balances at June 30, 2005 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Capital Projects Fund	\$ 1,466,836
Capital Projects Fund	Nonmajor Governmental Fund	31,942

Interfund transfers for the year ended June 30, 2005 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	<u>Transfer In:</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental</u>	
Transfer Out:				
Gas Fund	\$ 377,159	-	-	377,159
Water and Sewer Fund	135,691	-	-	135,691
General Fund	-	958,110	603,961	1,562,071
Nonmajor Governmental Funds	<u>50,000</u>	<u>1,431,101</u>	<u>300,531</u>	<u>1,781,632</u>
Totals	<u>\$ 562,850</u>	<u>2,389,211</u>	<u>904,492</u>	<u>3,856,553</u>

11) RELATED PARTY TRANSACTIONS

In prior years the Town has extended loans to the Housing Authority and Airport Authority which are related organizations, but do not meet the criteria for component units. During the year, repayments were made on these loans in the amounts of \$6,953 and \$31,798 plus interest respectively.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

12) MAJOR CUSTOMER

The Town supplies water, sewer and natural gas services to a large manufacturing company. During the fiscal year ended June 30, 2005, services to this company accounted for the following percentages of total revenues of the water, sewer and natural gas fund customer revenues.

Gas Fund	50.29%
Water and Sewer Fund	16.46%

13) RISK MANAGEMENT

The Town has chosen to establish the Self Insured Medical Insurance Fund (internal service fund) for risks associated with the employees' health insurance plan. The fund is accounted for as an internal service fund where assets are set aside for claim settlements. The Town retains the risk of loss to a limit of \$50,000 per employee, and \$1,000,000 aggregate annual cap. The Town has obtained a stop/loss commercial insurance policy to cover claims beyond this liability. All full-time employees of the government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish an amount for catastrophic losses. That amount was \$144,234 at June 30, 2005. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. For the government-wide financial statements the activity and assets and liabilities of the fund have been allocated to the participating funds.

Changes in the balance of claims liabilities during the past three fiscal years are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance of Fiscal Year-End</u>
2002-2003	\$ 408,918	1,825,571	(1,869,267)	365,222
2003-2004	365,222	2,771,295	(2,668,333)	468,184
2004-2005	468,184	3,188,601	(3,452,824)	203,961

The Town continues to carry commercial insurance for all other risks of loss, including general liability, property and casualty, workers' compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14) POST RETIREMENT BENEFITS

The Town provides a retiree supplemental health insurance plan whereby the Town will pay for up to 50% of the employee cost of the Town health plan. To qualify the employee must terminate employment after age 65, have been employed by the Town for 15 years and have been active in the health plan for five years. The Town is funding the plan on a pay as you go basis through the medical insurance fund. During the fiscal year there were four retired employees eligible with three electing participation. The Town paid \$9,606 for coverage of these retired employees during the year.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

15) SUBSEQUENT EVENTS

Subsequent to year end the Town issued \$5,000,000 general obligation bonds. The bond proceeds will be used to finance and reimburse the Capital Projects Fund for projects already begun.

16) FUND DEFICIT

The Capital Projects Fund ended the fiscal year with a deficit net assets of \$96,802. The ultimate funding responsibility is with the General Fund. The component unit, Industrial Development Fund, also, ended the fiscal year with a net asset deficit of \$169,849. Future rents are expected to fund the deficit. The Industrial Development Board has a lease agreement with Smyrna Housing Authority, a related organization, through the Town, which provides for rentals in the amount of required debt service payments. The amounts are as follows:

2006	\$ 230,125
2007	229,175
2008	228,075
2009	231,762
2010	230,250
thereafter	<u>6,551,818</u>
	<u>\$ 7,701,205</u>

17) RESTATEMENT

During the fiscal year management determined that an over accrual of a utility bill occurred in fiscal year 2004 in the Water and Sewer Fund. The correction of the over accrual resulted in the increase of beginning net assets in the Water and Sewer Fund of \$116,113. The effect on the prior year earnings was an increase by the same amount.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SMYRNA, TENNESSEE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Real estate taxes	\$3,803,000	3,803,000	3,925,686	122,686
Business tax	435,000	435,000	200,085	(234,915)
Wholesale beer tax	800,000	800,000	890,405	90,405
Local option sales tax	5,320,000	5,320,000	5,471,204	151,204
Other	329,000	329,000	409,234	80,234
Total Taxes	10,687,000	10,687,000	10,896,614	209,614
Payments in lieu of taxes	1,820,000	1,820,000	1,838,262	18,262
Licenses and Permits	512,100	512,100	890,528	378,428
Intergovernmental Revenues:				
State of Tennessee income tax	30,000	30,000	43,994	13,994
State of Tennessee beer tax	14,500	14,500	14,701	201
State of Tennessee sales tax	1,845,000	1,845,000	1,811,652	(33,348)
Maintenance of state roads	67,800	67,800	67,496	(304)
Federal and state grants	-	-	24,283	24,283
Other state and county shared taxes	159,530	159,530	230,340	70,810
Total Intergovernmental Revenues	2,116,830	2,116,830	2,192,466	75,636
Fines and forfeits	795,500	795,500	932,344	136,844
Uses of Property and Money:				
Penalties	28,250	28,250	59,972	31,722
Performance bond	692,305	692,305	352,236	(340,069)
Interest earned	123,000	123,000	333,000	210,000
Rent	127,000	127,000	94,633	(32,367)
Traffic school fees	187,000	187,000	161,424	(25,576)
Administrative support charges	810,525	810,525	810,525	-
Cemetery revenue	30,000	30,000	52,500	22,500
Recreation fees and community center fees	381,960	381,960	376,427	(5,533)
Food sales	225,000	225,000	187,756	(37,244)
Total Uses of Property and Money	2,605,040	2,605,040	2,428,473	(176,567)
Other	340,800	340,800	73,007	(267,793)
Total Revenues	18,877,270	18,877,270	19,251,694	374,424
Expenditures:				
General Government:				
Current:				
Legislative Board:				
Salaries	36,000	36,000	36,300	(300)
Benefits and payroll taxes	13,910	13,910	14,063	(153)
Travel	-	-	-	-
Other	50,540	53,290	52,792	498
Total Legislative Board	100,450	103,200	103,155	45

Continued on next page

TOWN OF SMYRNA, TENNESSEE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual, Continued
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
General Government, Continued:				
Current, Continued:				
City and General Sessions Court:				
Salaries	405,340	413,600	381,787	31,813
Benefits and payroll taxes	140,284	141,344	118,658	22,686
Contractual services	56,550	56,550	55,051	1,499
Other	36,222	36,222	20,131	16,091
Total City and General Sessions Court	<u>638,396</u>	<u>647,716</u>	<u>575,627</u>	<u>72,089</u>
Vehicle Maintenance:				
Salaries	115,030	115,640	115,317	323
Benefits and payroll taxes	53,780	53,890	50,553	3,337
Other	48,500	51,100	54,726	(3,626)
Total City Garage	<u>217,310</u>	<u>220,630</u>	<u>220,596</u>	<u>34</u>
Codes, Engineering and Planning:				
Salaries	559,810	570,160	539,614	30,546
Benefits and payroll taxes	232,105	233,835	198,433	35,402
Board expenditures	2,500	2,500	2,167	333
Insurance	7,050	7,050	6,903	147
Telephone and utilities	2,800	2,800	2,838	(38)
Supplies	16,545	16,545	18,084	(1,539)
Repairs and maintenance	3,100	3,100	1,371	1,729
Professional services	3,000	3,000	15	2,985
Other	14,310	14,310	21,103	(6,793)
Total Codes, Engineering and Planning	<u>841,220</u>	<u>853,300</u>	<u>790,528</u>	<u>62,772</u>
Building and Grounds:				
Salaries	423,800	429,170	380,164	49,006
Benefits and payroll taxes	205,480	206,520	180,070	26,450
Repairs and maintenance	54,500	54,500	59,435	(4,935)
Supplies	30,435	30,435	31,727	(1,292)
Insurance	8,575	8,575	8,924	(349)
Cemetery	10,650	10,650	13,012	(2,362)
Other	2,100	2,100	1,376	724
Total Building Maintenance	<u>735,540</u>	<u>741,950</u>	<u>674,708</u>	<u>67,242</u>
Finance and Administration:				
Salaries	1,205,720	1,234,690	1,090,478	144,212
Benefits and payroll taxes	472,928	477,078	445,391	31,687
Memberships and testing	22,720	22,720	26,734	(4,014)
Telephone and utilities	100,415	100,415	125,090	(24,675)
Professional services	66,350	66,350	260,995	(194,645)
Repairs and maintenance	6,550	6,550	1,000	5,550
Travel	13,045	13,045	6,139	6,906
Supplies	80,615	80,615	63,088	17,527
Insurance	23,625	23,625	19,091	4,534
Outside services	145,026	145,026	133,397	11,629
Other	77,200	77,200	67,468	9,732
Total Finance and Administration	<u>2,214,194</u>	<u>2,247,314</u>	<u>2,238,871</u>	<u>8,443</u>
Total Current	<u>4,747,110</u>	<u>4,814,110</u>	<u>4,603,485</u>	<u>210,625</u>
Capital Outlay	-	-	-	-
Total General Government	<u>4,747,110</u>	<u>4,814,110</u>	<u>4,603,485</u>	<u>210,625</u>

Continued on next page

TOWN OF SMYRNA, TENNESSEE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Public Safety:				
Police Department:				
Current:				
Salaries	3,861,690	3,947,730	3,920,959	26,771
Benefits and payroll taxes	1,687,560	1,697,980	1,478,980	219,000
Outside services	66,263	66,263	52,252	14,011
Memberships and testing	7,770	7,770	11,655	(3,885)
Telephone	36,975	36,975	37,355	(380)
Repairs and maintenance	47,150	47,150	76,562	(29,412)
Travel	5,560	11,060	9,393	1,667
Supplies	181,219	181,219	284,044	(102,825)
Insurance	73,500	73,500	78,957	(5,457)
Other	9,250	9,250	10,240	(990)
Total Current	<u>5,976,937</u>	<u>6,078,897</u>	<u>5,960,397</u>	<u>118,500</u>
Capital Outlay	-	-	-	-
Total Police Department	<u>5,976,937</u>	<u>6,078,897</u>	<u>5,960,397</u>	<u>118,500</u>
Fire Department:				
Current:				
Salaries	2,332,590	2,494,030	2,066,966	427,064
Benefits and payroll taxes	1,165,865	1,194,865	852,572	342,293
Memberships and testing	9,710	9,710	5,860	3,850
Telephone and utilities	60,538	60,538	69,281	(8,743)
Repairs and maintenance	55,740	55,740	66,125	(10,385)
Supplies	138,476	150,476	135,923	14,553
Insurance	40,000	40,000	37,926	2,074
Outside services	76,767	71,767	72,170	(403)
Other	12,825	8,825	8,366	459
Total Current	<u>3,892,511</u>	<u>4,085,951</u>	<u>3,315,189</u>	<u>770,762</u>
Capital Outlay	-	-	-	-
Total Fire Department	<u>3,892,511</u>	<u>4,085,951</u>	<u>3,315,189</u>	<u>770,762</u>
Total Public Safety	<u>9,869,448</u>	<u>10,164,848</u>	<u>9,275,586</u>	<u>889,262</u>
Highways and Streets:				
Current:				
Salaries	423,490	430,360	433,345	(2,985)
Benefits and payroll taxes	252,770	254,210	239,987	14,223
Telephone and utilities	17,210	17,210	25,599	(8,389)
Repairs and maintenance	401,932	401,932	225,696	176,236
Supplies	45,106	45,106	66,854	(21,748)
Insurance	13,900	13,900	14,973	(1,073)
Outside services	17,774	17,774	21,547	(3,773)
Other	28,720	28,720	26,295	2,425
Total Current	<u>1,200,902</u>	<u>1,209,212</u>	<u>1,054,296</u>	<u>154,916</u>
Capital Outlay	-	-	-	-
Total Highways and Streets	<u>1,200,902</u>	<u>1,209,212</u>	<u>1,054,296</u>	<u>154,916</u>

Continued on next page

TOWN OF SMYRNA, TENNESSEE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual, Continued
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Recreation:				
Current:				
Salaries	\$932,220	933,740	833,751	99,989
Benefits and payroll taxes	324,680	324,870	294,976	29,894
Memberships and testing	5,722	5,722	4,905	817
Telephone and utilities	141,255	141,255	138,066	3,189
Repairs and maintenance	92,200	92,200	98,232	(6,032)
Travel	6,950	6,950	6,569	381
Outside services	131,095	131,095	142,726	(11,631)
Recreation programs	16,500	16,500	13,993	2,507
Advertising and promotion	12,150	12,150	14,056	(1,906)
Supplies	79,085	79,085	93,598	(14,513)
Insurance	23,400	23,400	21,932	1,468
Rent	11,500	11,500	12,556	(1,056)
Other	1,100	1,100	1,918	(818)
Total Current	<u>1,777,857</u>	<u>1,779,567</u>	<u>1,677,278</u>	<u>102,289</u>
Capital Outlay	-	-	-	-
Total Recreation	<u>1,777,857</u>	<u>1,779,567</u>	<u>1,677,278</u>	<u>102,289</u>
Community Development:				
Current:				
Salaries	261,640	264,520	252,841	11,679
Benefits and payroll taxes	97,030	107,950	109,973	(2,023)
Telephone and utilities	40,500	40,500	48,580	(8,080)
Repairs and maintenance	10,500	10,500	10,686	(186)
Travel	-	-	-	-
Outside services	9,000	9,000	7,669	1,331
Advertising and promotion	3,300	3,300	2,319	981
Food purchase	102,000	102,000	106,462	(4,462)
Supplies	31,080	31,080	29,798	1,282
Insurance	2,300	2,300	1,908	392
Contributions to non-profits	476,181	476,181	476,181	-
Other	2,700	2,700	3,203	(503)
Total Current	<u>1,036,231</u>	<u>1,050,031</u>	<u>1,049,620</u>	<u>411</u>
Capital Outlay	-	-	-	-
Total Community Development	<u>1,036,231</u>	<u>1,050,031</u>	<u>1,049,620</u>	<u>411</u>
Total Expenditures	<u>18,631,548</u>	<u>19,017,768</u>	<u>17,660,265</u>	<u>1,357,503</u>
Excess Revenues Over Expenditures	<u>245,722</u>	<u>(140,498)</u>	<u>1,591,429</u>	<u>1,731,927</u>
Other Financing Sources (Uses):				
Transfer to Capital Projects Fund	(1,559,306)	(1,559,306)	(958,110)	601,196
Transfer to Drug Fund	(20,000)	(20,000)	(39,376)	(19,376)
Transfer to Debt Service Fund	(663,332)	(663,332)	(564,585)	98,747
Transfer from Gas Fund	135,691	135,691	135,691	-
Transfer from Water and Sewer Fund	377,159	377,159	377,159	-
Transfer from Golf Course Fund	50,000	50,000	50,000	-
Total Other Financing Sources (Uses)	<u>(1,679,788)</u>	<u>(1,679,788)</u>	<u>(999,221)</u>	<u>680,567</u>
Net change in fund balance	<u>(1,434,066)</u>	<u>(1,820,286)</u>	<u>592,208</u>	<u>2,412,494</u>
Fund Balance, beginning of year	<u>12,475,622</u>	<u>12,475,622</u>	<u>12,475,622</u>	<u>-</u>
Fund Balance, end of year	<u>\$11,041,556</u>	<u>10,655,336</u>	<u>13,067,830</u>	<u>2,412,494</u>

See accompanying notes to required supplementary information

TOWN OF SMYRNA, TENNESSEE

Notes to Required Supplementary Information

June 30, 2005

1) **BUDGET COMPLIANCE AND ACCOUNTABILITY**

The Town of Smyrna is required by State statute to adopt an annual budget. The Town legally adopts budgets for all governmental funds except the Debt Service Fund, because effective budgetary control is achieved through transfers from other funds. These budgets are prepared on the basis that current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the Town Council. The Town's budgetary basis is consistent with generally accepted accounting principles. The legal level of budgetary control is at the department level. Any changes to departmental total budgets must be approved by the council.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to May 15, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating departmental budget establishes the budgetary level of control for the proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Town Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance. In no event shall the total appropriations for any fund included in the budget exceed the estimated revenues and unappropriated fund balance.
4. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types, except the Debt Service Fund, a nonmajor governmental fund.
6. Budgets are adopted on a basis generally consistent with generally accepted accounting principles (GAAP). These budget appropriations lapse at year end.

During the fiscal year, the General Fund expenditures and other uses budget was amended by \$386,220 and the Capital Funds expenditure budget was not amended. Nonmajor governmental fund expenditures budgets were increased by \$75,090.

**COMBINING AND INDIVIDUAL NONMAJOR FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENT FUNDS

State Street Aid Fund - This fund accounts for all revenue and expenditures from the Town's share of state gasoline taxes. Tennessee state law requires these receipts be kept in a separate fund and used for the construction and maintenance of city streets and certain related street expenditures.

Drug Fund - This fund accounts for funds received directly from the enforcement of laws associated with illegal drug activity. Under state law, the funds are to be used only for law enforcement related expenditures.

Golf Course Fund - This fund is used to account for the operation of the Town golf course which is part of the recreational facilities of the Town.

Impact Fee Fund - This fund is used to account for the collection of fees restricted for certain capital improvements.

Debt Service Fund - This fund is used to account for the accumulation and disbursement of funds for governmental debt service requirements.

TOWN OF SMYRNA, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2005

<u>Assets</u>	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Drug Fund	State Street Aid Fund	Golf Course Fund		
Cash in bank	\$68,407	289,300	308,941	2,664,375	3,331,023
Due from other governments	2,200	154,285	-	-	156,485
Receivables	-	-	263	-	263
Prepaid items	-	-	10,307	-	10,307
Inventory	-	-	39,615	-	39,615
Total Assets	\$70,607	443,585	359,126	2,664,375	3,537,693
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Accounts payable	\$575	25,371	9,814	57,685	93,445
Accrued liabilities	-	-	55,484	-	55,484
Contract payable	-	-	-	64,078	64,078
Due to other funds	-	-	-	31,942	31,942
Deferred revenue	-	79,853	-	-	79,853
Total Liabilities	575	105,224	65,298	153,705	324,802
Fund balance:					
Reserved for inventory and prepaids	-	-	39,615	-	39,615
Unreserved, undesignated	70,032	338,361	254,213	2,510,670	3,173,276
Total Fund Balance	70,032	338,361	293,828	2,510,670	3,212,891
Total Liabilities and Fund Balance	\$70,607	443,585	359,126	2,664,375	3,537,693

TOWN OF SMYRNA, TENNESSEE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Drug Fund	State Street Aid Fund	Golf Course Fund	Impact Fee Fund		
Revenues:						
Intergovernmental:						
Gasoline tax and inspection fees	\$ -	850,208	-	-	-	850,208
Total Intergovernmental	-	850,208	-	-	-	850,208
Licenses and permits	-	-	-	2,183,786	-	2,183,786
Fines, forfeitures and seizures	59,852	-	-	-	-	59,852
Uses of Money and Property:						
Interest	200	1,209	-	46,531	-	47,940
Golf fees, rental, and sales	-	-	1,289,553	-	-	1,289,553
Total Uses of Money and Property	200	1,209	1,289,553	46,531	-	1,337,493
Total Revenues	60,052	851,417	1,289,553	2,230,317	-	4,431,339
Expenditures:						
Current:						
Drug enforcement	88,059	-	-	-	-	88,059
Recreation and culture	-	-	1,241,521	-	-	1,241,521
Highways and streets	-	425,333	-	-	-	425,333
Total Current	88,059	425,333	1,241,521	-	-	1,754,913
Debt service	-	-	-	-	865,116	865,116
Capital outlay	18,331	-	-	-	-	18,331
Total Expenditures	106,390	425,333	1,241,521	-	865,116	2,638,360
Excess (deficiency) of revenues over expenditures	(46,338)	426,084	48,032	2,230,317	(865,116)	1,792,979
Other Financing Sources (Uses):						
Transfer to Debt Service Fund	-	(300,531)	-	-	-	(300,531)
Transfer from General Fund	39,376	-	-	-	564,585	603,961
Transfer from State Street Aid Fund	-	-	-	-	300,531	300,531
Transfer to Capital Projects Fund	-	-	(35,444)	(1,395,657)	-	(1,431,101)
Transfer to General Fund	-	-	(50,000)	-	-	(50,000)
Total Other Financing Sources (Uses)	39,376	(300,531)	(85,444)	(1,395,657)	865,116	(877,140)
Net change in fund balance	(6,962)	125,553	(37,412)	834,660	-	915,839
Fund balance, beginning of year	76,994	212,808	331,240	1,676,010	-	2,297,052
Fund balance, end of year	\$70,032	338,361	293,828	2,510,670	-	3,212,891

TOWN OF SMYRNA, TENNESSEE

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

Drug Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Fines forfeitures and seizures	\$38,050	38,050	60,052	22,002
Total Revenue	38,050	38,050	60,052	22,002
Expenditures:				
Current:				
Miscellaneous:				
Drug enforcement	59,500	89,500	88,059	1,441
Total Current	59,500	89,500	88,059	1,441
Capital outlay	10,000	20,000	18,331	1,669
Total Expenditures	69,500	109,500	106,390	3,110
Excess (deficiency) of revenues over expenditures	(31,450)	(71,450)	(46,338)	25,112
Other Financing Sources (Uses):				
Transfer from General Fund	20,000	20,000	39,376	19,376
Net change in fund balance	(11,450)	(51,450)	(6,962)	44,488
Fund balance, beginning of year	76,994	76,994	76,994	-
Fund balance, end of year	\$65,544	25,544	70,032	44,488

TOWN OF SMYRNA, TENNESSEE

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

State Street Aid Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
State gasoline and motor fuel tax and fees	\$884,500	884,500	850,208	(34,292)
Uses of Money and Property:				
Interest	750	750	1,209	459
Total Revenues	885,250	885,250	851,417	(33,833)
Expenditures:				
Current:				
Street maintenance - repairs	120,000	120,000	115,088	4,912
Lighting	235,000	265,500	264,458	1,042
Signals	40,000	40,000	45,787	(5,787)
Total Current	395,000	425,500	425,333	167
Capital outlay	-	-	-	-
Total Expenditures	395,000	425,500	425,333	167
Excess (deficiency) of revenues over expenditures	490,250	459,750	426,084	(34,000)
Other Financing Sources (Uses):				
Transfer to Debt Service Fund	-	(331,531)	(300,531)	31,000
Net change in fund balance	490,250	128,219	125,553	(2,666)
Fund balance, beginning of year	212,808	212,808	212,808	-
Fund balance, end of year	\$703,058	341,027	338,361	(2,666)

TOWN OF SMYRNA, TENNESSEE

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

Golf Course Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues:				
Uses of money and property:				
Course fees	767,000	767,000	701,347	(65,653)
Snack bar sales	165,000	165,000	154,618	(10,382)
Golf shop sales	140,000	140,000	120,842	(19,158)
Cart and locker rentals	304,100	304,100	290,659	(13,441)
Other	23,800	23,800	22,087	(1,713)
Total Revenues	1,399,900	1,399,900	1,289,553	(110,347)
Expenditures:				
Recreation and culture:				
Current:				
Salaries	580,460	584,390	492,044	92,346
Benefits and payroll taxes	253,320	253,980	198,367	55,613
Memberships and testing	4,030	4,030	3,257	773
Telephone and utilities	31,000	30,500	27,970	2,530
Repairs and maintenance	42,000	42,000	46,505	(4,505)
Outside services	15,834	15,834	15,074	760
Supplies	28,850	28,850	30,950	(2,100)
Snack bar resale items	85,000	85,000	88,019	(3,019)
Golf resale items	85,000	85,000	85,895	(895)
Chemicals	65,000	64,500	57,384	7,116
Insurance	9,720	9,720	8,501	1,219
Land and equipment rental	181,390	181,390	181,725	(335)
Other	4,295	5,295	5,830	(535)
Total Current	1,385,899	1,390,489	1,241,521	148,968
Capital Outlay	-	-	-	-
Total Expenditures	1,385,899	1,390,489	1,241,521	148,968
Excess (deficiency) of revenues over expenditures	14,001	9,411	48,032	38,621
Other Financing Sources (Uses):				
Transfer to General Fund	(50,000)	(50,000)	(50,000)	-
Transfer to Capital Projects Fund	-	(155,200)	(35,444)	119,756
Total Other Financing Sources (Uses)	(50,000)	(205,200)	(85,444)	119,756
Net change in fund balance	(35,999)	(195,789)	(37,412)	158,377
Fund balance, beginning of year	331,240	331,240	331,240	-
Fund balance, end of year	\$295,241	135,451	293,828	158,377

TOWN OF SMYRNA, TENNESSEE

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual**

Impact Fee Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Licenses and permits	\$2,757,900	2,757,900	2,183,786	(574,114)
Uses of Money and Property:				
Interest	14,000	14,000	46,531	32,531
Total Revenue	2,771,900	2,771,900	2,230,317	(541,583)
Expenditures:	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	2,771,900	2,771,900	2,230,317	(541,583)
Other Financing Sources (Uses):				
Transfers to Capital Project Fund	(3,835,000)	(3,835,000)	(1,395,657)	2,439,343
Total Other Financing Sources (Uses)	(3,835,000)	(3,835,000)	(1,395,657)	2,439,343
Net change in fund balance	(1,063,100)	(1,063,100)	834,660	1,897,760
Fund balance, beginning of year	1,676,010	1,676,010	1,676,010	-
Fund balance, end of year	\$612,910	612,910	2,510,670	1,897,760

See accompanying notes to required supplementary information

FINANCIAL SCHEDULES

Financial Schedules are used to demonstrate finance-related legal and contractual compliance, provide details of data summarized in the financial statements, and present other information deemed useful.

TOWN OF SMYRNA, TENNESSEE
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Capital Projects Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental :				
Grants - state and federal	\$2,820,000	2,820,000	2,073,043	(746,957)
	<u>2,820,000</u>	<u>2,820,000</u>	<u>2,073,043</u>	<u>(746,957)</u>
Uses of Money and Property:				
Interest	-	-	10,478	10,478
Other - private grant	250,000	250,000	250,000	-
Total Revenue	<u>3,070,000</u>	<u>3,070,000</u>	<u>2,333,521</u>	<u>(736,479)</u>
Expenditures:				
Recreation and Culture:				
Current				
Supplies	-	-	55,971	(55,971)
Capital outlay	4,304,460	4,304,460	3,512,948	791,512
Highways and Streets:				
Current				
Supplies	-	-	28,570	(28,570)
Capital outlay	4,055,020	4,055,020	1,583,467	2,471,553
Public Safety:				
Current				
Supplies - fire	-	-	132,549	(132,549)
Supplies - police	-	-	97,254	(97,254)
Capital outlay - fire	1,999,975	1,999,975	108,383	1,891,592
Capital outlay - police	482,994	482,994	345,157	137,837
General Government:				
Current				
Supplies	-	-	114,671	(114,671)
Capital outlay	744,623	744,623	438,450	306,173
Total Expenditures	<u>11,587,072</u>	<u>11,587,072</u>	<u>6,417,420</u>	<u>5,169,652</u>
Excess (deficiency) of revenues over expenditures	(8,517,072)	(8,517,072)	(4,083,899)	4,433,173
Other Financing Sources:				
Public Building Authority loan issuance	2,967,566	2,967,566	1,339,786	(1,627,780)
Transfers from Golf Course Fund	155,200	155,200	35,444	(119,756)
Transfers from Impact Fee Fund	3,835,000	3,835,000	1,395,657	(2,439,343)
Transfers from General Fund	1,559,306	1,559,306	958,110	(601,196)
Total Other Financing Sources	<u>8,517,072</u>	<u>8,517,072</u>	<u>3,728,997</u>	<u>(4,788,075)</u>
Net change in fund balance	-	-	(354,902)	(354,902)
Fund balance, beginning of year	<u>258,100</u>	<u>258,100</u>	<u>258,100</u>	<u>-</u>
Fund balance, end of year	<u>\$258,100</u>	<u>258,100</u>	<u>(96,802)</u>	<u>(354,902)</u>

See accompanying notes to required supplementary information

TOWN OF SMYRNA, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2005

Function and Activity	Land	Buildings & Improvements	Improvements Other Than Buildings	Equipment	Infrastructure	Construction In Progress	Total
General government	\$1,459,248	3,663,729	712,432	1,710,790	-	-	7,546,199
Public safety:							
Police	-	-	-	3,118,255	-	-	3,118,255
Fire	70,000	3,213,910	74,632	2,632,214	-	-	5,990,756
Highways and streets	499,877	169,247	1,638,940	1,534,568	71,360,791	614,548	75,817,971
Recreation	459,799	4,884,985	9,155,661	2,262,652	1,179,190	434,587	18,376,874
Community development	-	3,200,333	-	81,288	-	-	3,281,621
Total governmental capital assets	<u>\$2,488,924</u>	<u>15,132,204</u>	<u>11,581,665</u>	<u>11,339,767</u>	<u>72,539,981</u>	<u>1,049,135</u>	<u>114,131,676</u>

TOWN OF SMYRNA, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets By Function and Activity

For the Year Ended June 30, 2005

Function and Activity	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
General government	\$7,107,749	438,450		7,546,199
Public safety:				
Police	2,786,256	345,157	13,158	3,118,255
Fire	5,967,068	126,714	103,026	5,990,756
Highways and streets	69,073,190	6,791,118	46,337	75,817,971
Recreation	14,794,476	3,582,398		18,376,874
Community development	3,281,621			3,281,621
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental capital assets	<u>\$103,010,360</u>	<u>11,283,837</u>	<u>162,521</u>	<u>114,131,676</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2005

Major Governmental Funds

<u>Type of Investment or Account</u>	<u>Interest Rate</u>	<u>Amount</u>
General Fund:		
Demand deposits and savings	Various	\$7,793,806
Local Government Investment Pool	Various	4,332,678
Change funds	-	1,275
Total General Fund		<u>12,127,759</u>

Capital Projects Fund		
Demand deposits and savings	-	67,665
Total Capital Projects Fund		<u>67,665</u>

Nonmajor Governmental Funds

Drug Fund:		
Cash		100
Demand deposit	-	68,307
Total Drug Fund		<u>68,407</u>

State Street Aid Fund:		
Local Government Investment Pool	Various	59,245
Demand deposits and savings	Various	230,055
Total State Street Aid Fund		<u>289,300</u>

Golf Course Fund:		
Demand deposits and savings	Various	307,771
Change funds	-	1,170
Total Golf Course Fund		<u>308,941</u>

Impact Fee Fund		
Demand deposits and savings	-	2,664,375
Total Impact Fee Fund		<u>2,664,375</u>

Proprietary Funds

Water and Sewer Fund:		
Demand deposits and savings	Various	5,984,155
Local Government Investment Pool	Various	512,842
Change funds	-	600
Total Water and Sewer Fund		<u>6,497,597</u>

Natural Gas Fund:		
Local Government Investment Pool	Various	3,972,613
Demand deposits and savings	Various	3,668,886
Total Natural Gas Fund		<u>7,641,499</u>

Internal Service Fund		
Demand deposits and savings	Various	336,965
Total Internal Service Fund		<u>336,965</u>

Total Primary Government \$30,002,508

Component Unit:

Industrial Development Fund		
Demand deposits and savings	-	\$37,255
Total Industrial Development Fund		<u>\$37,255</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Changes in Property Taxes Receivable

General Fund

For the Year Ended June 30, 2005

<u>Fiscal Year</u>	<u>Balance June 30, 2004</u>	<u>Adjustments/ Assessments</u>	<u>Collections</u>	<u>Balance June 30, 2005</u>
2004 - 2005	\$ -	3,908,439	3,821,158	87,281
2003 - 2004	88,467	-	61,362	27,105
2002 - 2003	35,173	-	19,890	15,283
2001 - 2002	19,596	-	5,930	13,666
2000 - 2001	23,902	-	17,913	5,989
1999 - 2000	4,065	-	1,515	2,550
1998 - 1999	4,631	-	742	3,889
1997 - 1998	2,385	-	1,539	846
1996 - 1997	2,085	-	1,377	708
1995 - 1996	1,019	-	402	617
1994 - 1995	940	-	940	-
	<u>\$182,263</u>	<u>3,908,439</u>	<u>3,932,768</u>	157,934
2005 - 2006**				<u>4,193,717</u>
				<u>\$4,351,651</u>

Fiscal year 2002-2003 and prior have been turned over to the County Clerk and Master for collection.

** Unlevied taxes receivable

TOWN OF SMYRNA, TENNESSEE

**Schedule of Maturities of Bond Indebtedness
and Interest Requirements**

General Obligation

June 30, 2005

Year Ending <u>June 30,</u>	Public Building Authority Loan	Public Building Authority Loan	Interest Requirements	Total
2006	\$316,934	363,000	210,079	890,013
2007	332,929	377,000	183,343	893,272
2008	349,516	391,000	155,386	895,902
2009	366,992	406,000	126,180	899,172
2010	385,356	422,000	95,651	903,007
2011	404,609	-	63,723	468,332
2012	424,751	-	43,493	468,244
2013	445,100	-	22,255	467,355
	<u>\$3,026,187</u>	<u>1,959,000</u>	<u>900,110</u>	<u>5,885,297</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Maturities of Indebtedness and Interest Requirements

Enterprise Fund

June 30, 2005

Year Ending June 30,	Water and Sewer Fund					Interest Requirements	Total
	Bond Issue						
	1998	2001	2003	2003A	2004		
2006	\$753,066	75,000	730,000	270,000	400,000	958,265	3,186,331
2007	791,071	75,000	745,000	275,000	400,000	885,435	3,171,506
2008	830,484	865,000	-	285,000	425,000	802,454	3,207,938
2009	872,008	905,000	-	290,000	425,000	708,835	3,200,843
2010	915,644	940,000	-	300,000	425,000	609,864	3,190,508
2011	961,391	980,000	-	310,000	450,000	505,241	3,206,632
2012	1,009,249	50,000	-	320,000	450,000	414,259	2,243,508
2013	1,060,900	55,000	-	330,000	475,000	338,518	2,259,418
2014	-	50,000	-	340,000	500,000	263,460	1,153,460
2015	-	55,000	-	355,000	500,000	235,296	1,145,296
2016	-	-	-	365,000	525,000	207,385	1,097,385
2017	-	-	-	380,000	550,000	178,860	1,108,860
2018	-	-	-	390,000	575,000	148,680	1,113,680
2019	-	-	-	-	600,000	117,000	717,000
2020	-	-	-	-	600,000	99,000	699,000
2021	-	-	-	-	625,000	81,000	706,000
2022	-	-	-	-	650,000	62,250	712,250
2023	-	-	-	-	700,000	42,750	742,750
2024	-	-	-	-	725,000	21,750	746,750
	<u>\$7,193,813</u>	<u>4,050,000</u>	<u>1,475,000</u>	<u>4,210,000</u>	<u>10,000,000</u>	<u>6,680,302</u>	<u>33,609,115</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2005

Federal Grants as Identified in the
Catalog of Federal Domestic Assistance:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Expenditures</u>
16.592	LLEBG Grant	U. S. Department of Justice	\$24,283
20.205	* Greenways Grant	Federal Highway Administration	1,363,945
20.205	* Downtown Revitalization Grant	Federal Highway Administration	611,853
83.554	Assistance to Firefighters	Federal Emergency Management	20,937
97.004	Homeland Security	U. S. Department of Homeland Security	76,309
			<u>\$2,097,327</u>

This schedule was prepared using the accrual basis of accounting.

* Major Program

At June 30, 2005, there was a Department of Housing and Urban Development Home Investment Partnership Grant Note outstanding. (CFDA #14.239). The funds, in the amount of \$195,000 were passed to a subrecipient and the grant note is forgivable as long as the Town continues to meet the terms of the grant note through August 2019.

TOWN OF SMYRNA, TENNESSEE
Schedule of Federal and State Financial Assistance
For the Year Ended June 30, 2005

Federal Grants as Identified in the
Catalog of Federal Domestic Assistance:

CFDA Number	State Grant Number	Program Name	Grantor Agency	(Accrued) or Deferred Revenue at July 1, 2004	Program Adjustments, Income & Grant Receipts	Expenditures	(Accrued) or Deferred Revenue at June 30, 2005
16.592	01LBBX-1481	LLEBG Grant	U. S. Department of Justice	\$508	(508)	-	-
16.592	02LBBX-0296	LLEBG Grant	U. S. Department of Justice	3,887	15	3,902	-
16.592	03LBBX	LLEBG Grant	U. S. Department of Justice	19,872	509	20,381	-
16.607	N/A	Bulletproof Vests Grant	U. S. Department of Justice	(2,468)	2,468	-	-
83.554	N/A	FEMA Grant	Federal Emergency Management	(17,755)	17,755	-	-
83.554	N/A	Assistance to Firefighters Grant	Federal Emergency Management	20,937	-	20,937	-
97.004	Z-03-017796-00	Homeland Security	U. S. Department of Homeland Security	(28,000)	104,309	76,309	-
20.205	HPP-7500	Greenway Grant	Federal Highway Administration	(116,820)	116,820	20,589	(20,589)
20.205	HPP-9315	Greenway Grant	Federal Highway Administration	-	-	1,343,356	(1,343,356)
20.205	STP-M-1(178)	Downtown Revitalization Grant	Federal Highway Administration	-	-	611,853	(611,853)
20.205	SRP-EN-9315(5)	Sidewalk Grant	Federal Highway Administration	(6,697)	6,697	-	-
Total Federal Assistance				<u>(\$126,536)</u>	<u>248,065</u>	<u>2,097,327</u>	<u>(1,975,798)</u>

State Grants:

Z-02-008492-00	TIIP Grants	TN Dept. of Economic and Community Development	(\$79,296)	73,074	32,576	(38,798)
Z-02-008493-00			(75,772)	69,826	30,364	(36,310)
Z-02-008494-00			(75,772)	69,826	30,364	(36,310)
Z-02-008495-00			(71,366)	65,768	29,034	(34,632)
			<u>(\$302,206)</u>	<u>278,494</u>	<u>122,338</u>	<u>(146,050)</u>

This schedule was prepared using the accrual basis of accounting.