

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, 2006, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2006, 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 26, 2006, 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 assessing the results of our audit.

Management's Discussion and Analysis on pages 2-11, the Required Supplementary Information on pages 43-47 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 48 through 84), inclusive are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules and, the Financial Schedules except for the Schedules marked "unaudited" on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 26, 2006

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, 2006. 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 \$185,731,833 (net assets). Of this amount, \$35,889,697 (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 \$5,011,550.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$20,759,727, an increase of \$5,043,669 in comparison with the prior year. Approximately 97% of this total amount, \$20,292,453, 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 \$13,420,207, or 67% 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 \$2,092,000 (6%) during the current fiscal year. This was a result of the issuance of \$5,000,000 in new debt and the payment of current debt owed.

Overview of the Financial Statements

This discussion and analysis is 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 25-42 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 43-47 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 49-54 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 \$185,731,833 at the close of the most recent fiscal year.

Net Assets - Primary Government June 30

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 32,844,975	\$ 25,687,535	\$ 24,966,549	\$ 26,426,027	\$ 57,811,524	\$ 52,113,562
Capital Assets	<u>77,312,689</u>	<u>77,786,961</u>	<u>99,168,738</u>	<u>96,956,060</u>	<u>176,481,427</u>	<u>174,743,021</u>
Total Assets	<u>110,157,664</u>	<u>103,474,496</u>	<u>124,135,287</u>	<u>123,382,087</u>	<u>234,292,951</u>	<u>226,856,583</u>
Long-term Liabilities Outstanding	10,821,618	6,396,887	24,566,803	26,750,843	35,388,421	33,147,730
Other Liabilities	<u>10,753,792</u>	<u>9,034,898</u>	<u>2,418,905</u>	<u>3,953,672</u>	<u>13,172,697</u>	<u>12,988,570</u>
Total Liabilities	<u>21,575,410</u>	<u>15,431,785</u>	<u>26,985,708</u>	<u>30,704,515</u>	<u>48,561,118</u>	<u>46,136,300</u>
Net Assets:						
Invested in Capital Assets, net of related debt	68,025,896	72,761,202	74,793,196	77,883,216	142,819,092	150,644,418
Restricted	7,023,044	488,246	-	-	7,023,044	488,246
Unrestricted	<u>13,533,314</u>	<u>14,793,263</u>	<u>22,356,383</u>	<u>14,794,356</u>	<u>35,889,697</u>	<u>29,587,619</u>
Total Net Assets	<u>\$ 88,582,254</u>	<u>\$ 88,042,711</u>	<u>\$ 97,149,579</u>	<u>\$ 92,677,572</u>	<u>\$ 185,731,833</u>	<u>\$ 180,720,283</u>

By far the largest portion of the Town of Smyrna's net assets (76.9 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 (3.78 percent) represents resources that are subject to external restrictions on how they may be used. These include net assets restricted for capital projects (\$6,330,006), highways and streets (\$592,621) and law enforcement (\$100,417). The remaining balance of unrestricted net assets (\$35,889,697) may be used to meet the government's ongoing obligations to citizens and creditors.

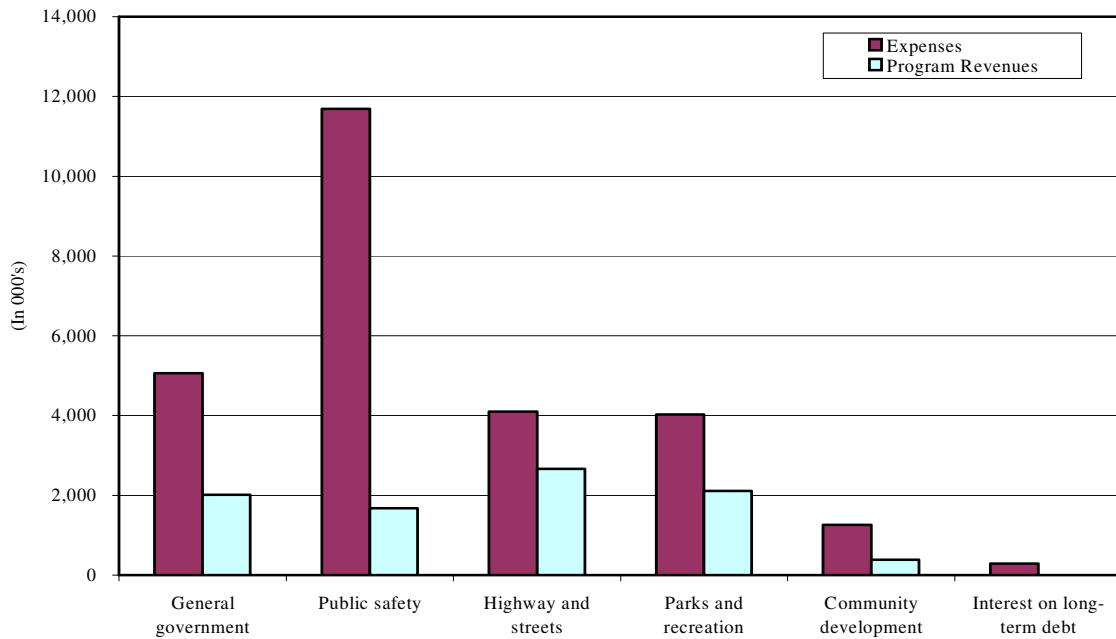
At the end of the current fiscal year, the Town of Smyrna is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the Town of Smyrna’s net assets by \$539,543, thereby accounting for 10.8 percent of the total growth in the net assets of the Town of Smyrna. A portion of this increase is due to increases in ongoing revenues have outpaced similar increases in ongoing expenses. Another portion of this increase is due to the increase in interest earned on idle cash. Interest earned increased due to the Town’s agreement with a local bank to increase the rate of return as the federal funds rate increases.

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

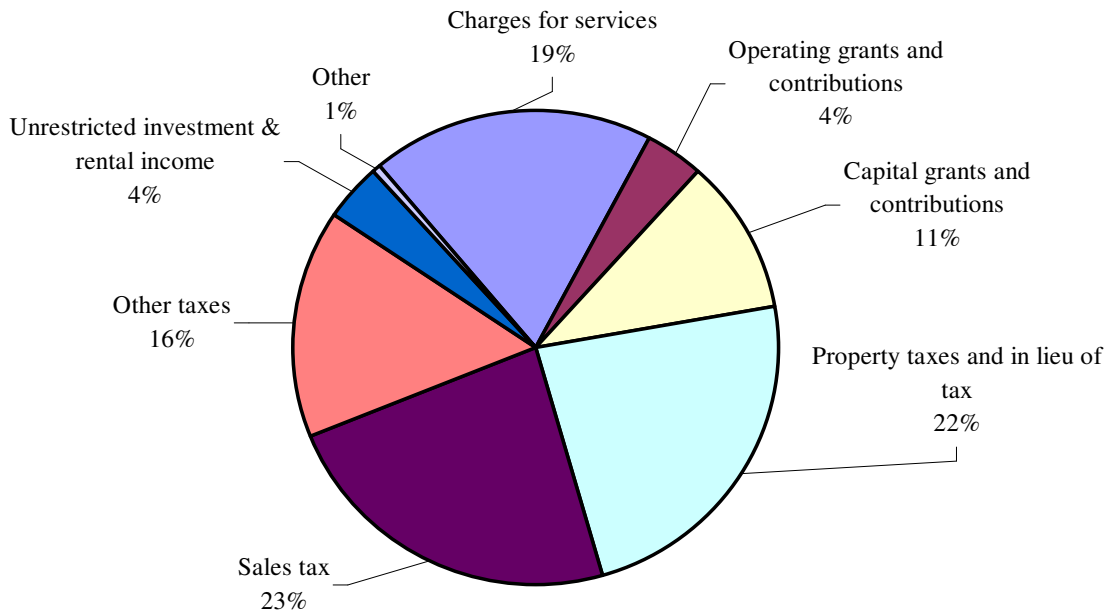
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Charges for services	\$ 5,047,100	\$ 5,267,750	\$39,947,203	\$28,082,559	\$ 44,994,303	\$ 33,350,309
Operating grants and contributions	1,009,732	949,548	-	-	1,009,732	949,548
Capital grants and contributions	2,796,879	9,610,453	2,789,526	3,067,064	5,586,405	12,677,517
General revenues:						
Property taxes and in lieu of tax	6,196,997	5,751,277	-	-	6,196,997	5,751,277
Sales tax	6,167,905	5,552,537	-	-	6,167,905	5,552,537
Other taxes	4,149,714	3,629,103	-	-	4,149,714	3,629,103
Gain on sale of capital assets	-	-	-	-	-	-
Unrestricted investment earnings	1,035,367	399,387	587,784	211,475	1,623,151	610,862
Other	133,587	35,937	1,333	-	134,920	35,937
Total Revenues	<u>26,537,281</u>	<u>31,195,992</u>	<u>43,325,846</u>	<u>31,361,098</u>	<u>69,863,127</u>	<u>62,557,090</u>
Expenses:						
General government	5,061,806	5,563,874	-	-	5,061,806	5,563,874
Public safety	11,689,770	10,668,540	-	-	11,689,770	10,668,540
Highway and streets	4,098,322	4,095,570	-	-	4,098,322	4,095,570
Parks and recreation	4,023,565	3,657,874	-	-	4,023,565	3,657,874
Community development	1,259,350	1,271,640	-	-	1,259,350	1,271,640
Interest on long-term debt	290,279	115,232	-	-	290,279	115,232
Water and Sewer	-	-	9,390,817	8,356,911	9,390,817	8,356,911
Natural Gas	-	-	29,037,668	19,591,008	29,037,668	19,591,008
Total expenses	<u>26,423,092</u>	<u>25,372,730</u>	<u>38,428,485</u>	<u>27,947,919</u>	<u>64,851,577</u>	<u>53,320,649</u>
Increase in net assets before transfers	114,189	5,823,262	4,897,361	3,413,179	5,011,550	9,236,441
Transfers	425,354	512,850	(425,354)	(512,850)	-	-
Increase in net assets	539,543	6,336,112	4,472,007	2,900,329	5,011,550	9,236,441
Net assets - beginning	88,042,711	81,706,599	92,677,572	89,777,243	180,720,283	171,483,842
Net assets - ending	<u>\$88,582,254</u>	<u>\$88,042,711</u>	<u>\$97,149,579</u>	<u>\$92,677,572</u>	<u>\$ 185,731,833</u>	<u>\$ 180,720,283</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.

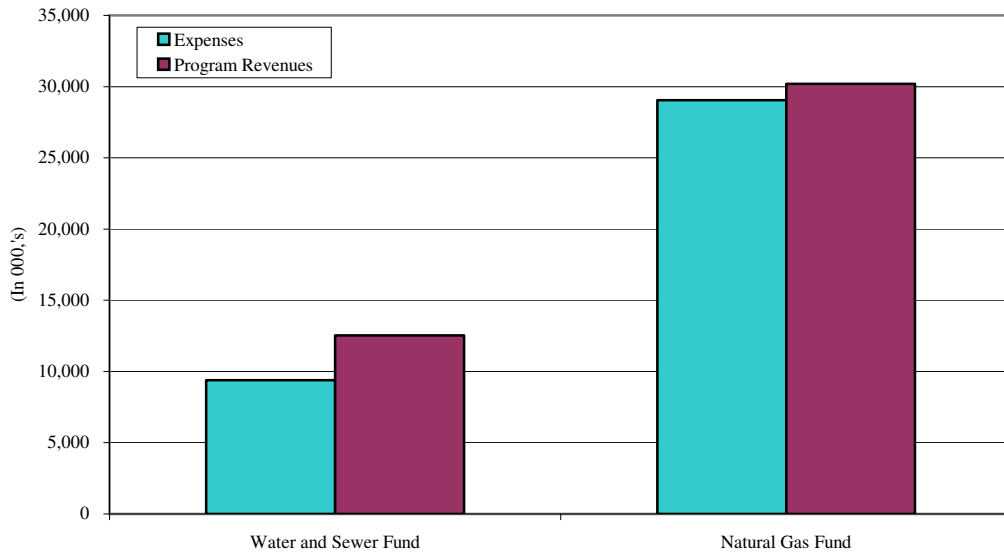
Revenue by Source – Governmental Activities



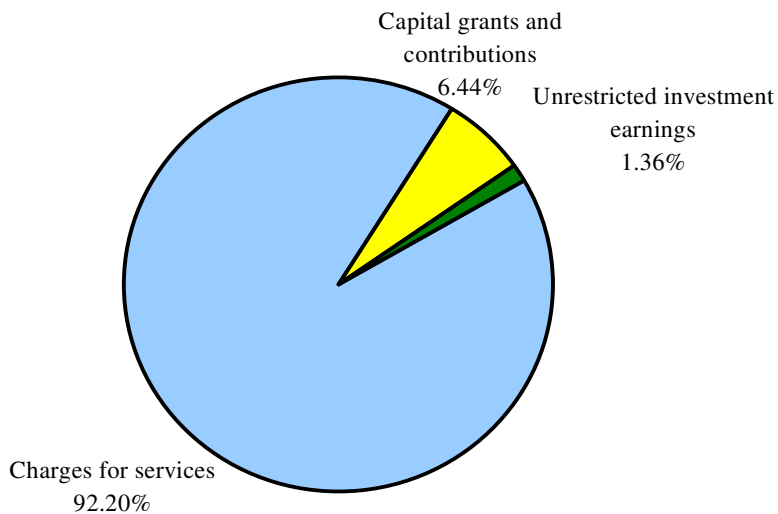
Business-type activities. Business-type activities increased the Town of Smyrna’s net assets by \$4,472,007, accounting for 89 percent of the total growth in the government’s net assets. Key elements of this increase are as follows:

- The Town's Water and Sewer Fund accounts for 68% 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 customer rates that was implemented in July 2005 and an increase in interest income. Interest earned increased due to the Town’s agreement with a local bank to increase the rate of return as the federal funds rate increases.

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 \$20,759,727, an increase of \$5,043,669 in comparison with the prior year. Approximately 97% of this total amount (\$20,292,453) 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 (\$214,059), project (\$189,485), and prepaid items and inventory (\$63,730).

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 \$13,420,207, while total fund balance reached \$13,625,490. 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 67 percent of total general fund expenditures, while total fund balance represents 68 percent of that same amount.

The fund balance of the Town of Smyrna's general fund increased by \$852,044 during the current fiscal year. Key factors in this growth are as follows:

- Local option sales tax collections increased by \$662,265 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 \$406,321 during the year, a result of an increase in the real estate tax base.
- Interest earned on idle investments increased by \$418,831.
- The general fund transfers out for capital projects decreased by \$627,817.

The capital projects fund has a total fund balance of \$2,435,965, of which \$214,059 is reserved for the noncurrent portion of notes receivable. The net increase in fund balance during the current year in the capital projects fund was \$2,706,244. The key factor in this increase was unexpended proceeds from the \$5,000,000 bond issue that closed during the fiscal year.

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 \$12,896,428 and those for the Natural Gas Fund amounted to \$9,227,792. The total growth in net assets for the funds was \$3,041,191 and \$1,328,990, 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 \$561,505 increase in appropriations between the original and final amended general fund expenditure budget and can be summarized with the following increase:

- \$82,420 supplemental amendment for debt service on the \$5,000,000 general obligation bonds issued during the fiscal year.
- \$479,085 supplemental amendment for travel, training and computer equipment.

The supplemental amendment was funded from additional anticipated revenues of local and state sales taxes and the sale of surplus real property.

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, 2006 amounts to \$176,481,427 (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 1 percent (a 0.6 percent decrease for governmental activities and a 2.3 percent increase for business-type activities).

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

- Construction was completed on the olive branch waste water trunk line; resulting in an increase to the utility plant of \$1,178,486 for this project.
- Improvements to Lee Victory Recreation Park included new lighting and fencing, which amounted to \$369,231 for this project as of the close of the fiscal year.
- Construction was completed on the Rock Springs Road Water Tank, resulting in an increase to the utility plant of \$1,226,337 for this project for the year.
- Purchased 8 police patrol vehicles amounting to \$142,918.
- Construction was completed on phase I of Gregory Mill Park, which amounted to \$367,091 for this project as of the close of the fiscal year.
- Construction began on widening Enon Springs Road West; which amounted to \$143,031 for this project as of the close of the fiscal year.
- Construction continued on the Downtown Revitalization project, which amounted to \$262,478 for this project as of the close of the fiscal year.
- A pumper was purchased in the fire department at a cost of \$269,640.
- A vacuum truck and a video truck were purchased in the water and waste water department as costs of \$198,500 and \$124,794, respectively.
- Construction was completed on Motlow College Boulevard; resulting in an increase in infrastructure of \$295,489 for this project.

Capital Assets (net of accumulated depreciation) June 30

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land	\$ 2,488,924	\$ 2,488,924	\$ 1,665,090	\$ 1,662,340	\$ 4,154,014	\$ 4,151,264
Buildings and system	5,557,545	6,061,873	95,960,412	92,919,176	101,517,957	98,981,049
Improvements other than buildings	11,377,471	10,129,337	-	-	11,377,471	10,129,337
Machinery and equipment	2,579,466	2,723,994	1,181,788	810,203	3,761,254	3,534,197
Infrastructure	54,172,093	55,333,698	-	-	54,172,093	55,333,698
Construction in progress	1,137,190	1,049,135	361,448	1,564,341	1,498,638	2,613,476
Total Assets, net	<u>\$ 77,312,689</u>	<u>\$77,786,961</u>	<u>\$ 99,168,738</u>	<u>\$96,956,060</u>	<u>\$ 176,481,427</u>	<u>\$174,743,021</u>

Additional information on the Town's capital assets can be found in Note 3 on page 32 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Smyrna had total bonded debt outstanding of \$34,006,000. Of this amount, \$9,305,253 is debt backed by the full faith and credit of the government; \$24,700,747 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	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 9,305,253	\$ 4,985,187	\$ -	\$ -	\$ 9,305,253	\$ 4,985,187
Revenue and tax bonds	-	-	24,700,747	26,928,813	24,700,747	26,928,813
Total	<u>\$ 9,305,253</u>	<u>\$ 4,985,187</u>	<u>\$24,700,747</u>	<u>\$26,928,813</u>	<u>\$34,006,000</u>	<u>\$ 31,914,000</u>

The Town of Smyrna’s total bonded debt increased by \$2,092,000 (6%) during the current fiscal year. This was a result of the issuance of \$5,000,000 in new debt and the payment of current debt owed.

During the year, the Town issued \$5,000,000 of General Obligation Bonds. The bonds were issued for the purpose of funding the construction of various road improvements, the renovation to public buildings for a new justice center, and to purchase various pieces of machinery and equipment.

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 5.4% of assessed property value.

Additional information on the Town of Smyrna’s long-term debt can be found in Note 6 on pages 34-35 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the Town of Smyrna is currently 3.3 percent, which is a decrease from a rate of 4.0 percent a year ago. This compares favorably to the state’s average unemployment rate of 4.3 percent and the national average rate of 4.4 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 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$13,420,207. The Town of Smyrna appropriated \$883,930 of this amount for spending on one time capital assets in the 2007 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, 2006

	Primary Government		Total	Component Unit
	Governmental Activities	Business Activities		Industrial Development Fund
<u>Assets</u>				
Cash and cash equivalents	\$22,062,564	16,119,905	38,182,469	21,159
Receivables (net of allowance for uncollectibles)				
Taxes	8,689,303	-	8,689,303	-
Due from other governments	1,832,285	146,050	1,978,335	-
Accounts receivable	149,185	2,072,849	2,222,034	-
Inventories, at cost	53,590	323,388	376,978	-
Internal balances	(232,163)	232,163	-	-
Restricted assets:				
Cash and equivalents - customer and developer deposits	-	595,684	595,684	-
Investments-bond proceeds	-	4,974,108	4,974,108	-
Other	-	12,250	12,250	-
Note receivable	221,665	298,891	520,556	-
Other assets	68,546	191,261	259,807	120,717
Non-depreciable capital assets	3,626,114	2,026,538	5,652,652	-
Depreciable capital assets (net of accumulated depreciation)	73,686,575	97,142,200	170,828,775	3,651,836
 Total Assets	<u>\$110,157,664</u>	<u>124,135,287</u>	<u>234,292,951</u>	<u>3,793,712</u>
<u>Liabilities</u>				
Accounts payable	\$872,073	1,166,650	2,038,723	-
Accrued liabilities	1,200,369	449,890	1,650,259	-
Interest payable	49,451	122,630	172,081	14,971
Contracts payable	132,061	84,051	216,112	-
Deferred revenue	8,499,838	-	8,499,838	-
Liabilities payable from restricted assets	-	595,684	595,684	-
Long-term liabilities due within one year	1,584,929	2,286,071	3,871,000	50,000
Long-term liabilities due in more than one year	9,236,689	22,280,732	31,517,421	4,000,000
 Total Liabilities	<u>21,575,410</u>	<u>26,985,708</u>	<u>48,561,118</u>	<u>4,064,971</u>
<u>Net Assets</u>				
Investments in capital assets, net of related debt	68,025,896	74,793,196	142,819,092	(277,447)
Restricted for:				
Capital projects	6,330,006	-	6,330,006	-
Highways and streets	592,621	-	592,621	-
Law enforcement	100,417	-	100,417	-
Unrestricted	13,533,314	22,356,383	35,889,697	6,188
Total Net Assets	<u>\$88,582,254</u>	<u>97,149,579</u>	<u>185,731,833</u>	<u>(271,259)</u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2006

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	\$5,061,806	2,016,897	-	-	(3,044,909)	-	(3,044,909)	-
Public safety:								
Police	7,077,628	1,226,683	3,600	-	(5,847,345)	-	(5,847,345)	-
Fire	4,612,143	-	-	449,342	(4,162,801)	-	(4,162,801)	-
Highways and streets	4,098,322	-	1,006,132	1,660,009	(1,432,181)	-	(1,432,181)	-
Recreation	4,023,565	1,419,746	-	687,528	(1,916,291)	-	(1,916,291)	-
Community Development	1,259,350	383,774	-	-	(875,576)	-	(875,576)	-
Interest expense on long-term debt	290,279	-	-	-	(290,279)	-	(290,279)	-
Total Government Activities	<u>26,423,092</u>	<u>5,047,100</u>	<u>1,009,732</u>	<u>2,796,879</u>	<u>(17,569,381)</u>	<u>-</u>	<u>(17,569,381)</u>	<u>-</u>
Business-type Activities								
Water and Sewer	9,390,817	9,900,995	-	2,641,724	-	3,151,902	3,151,902	-
Natural Gas	29,037,668	30,046,208	-	147,802	-	1,156,342	1,156,342	-
Total Business-type Activities	<u>38,428,486</u>	<u>39,947,203</u>	<u>-</u>	<u>2,789,526</u>	<u>-</u>	<u>4,308,243</u>	<u>4,308,243</u>	<u>-</u>
Total Primary Government	<u>\$64,851,578</u>	<u>44,994,303</u>	<u>1,009,732</u>	<u>5,586,405</u>	<u>(17,569,381)</u>	<u>4,308,243</u>	<u>(13,261,138)</u>	<u>-</u>
Component Unit								
Industrial Development Fund	<u>309,032</u>	<u>205,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,382)</u>
General Revenues:								
Property taxes and in lieu of tax					\$6,196,997	-	6,196,997	-
Sales taxes					6,167,905	-	6,167,905	-
Other locally assessed taxes					1,577,908	-	1,577,908	-
Other state shared taxes					2,571,806	-	2,571,806	-
Unrestricted investment earnings					1,035,367	587,785	1,623,152	1,965
Other					133,587	1,333	134,920	-
Transfers					425,354	(425,354)	-	-
Total general revenues and transfers					<u>18,108,924</u>	<u>163,764</u>	<u>18,272,688</u>	<u>1,965</u>
Change in net assets					539,543	4,472,007	5,011,550	(101,417)
Net assets - beginning of year, as restated					88,042,711	92,677,572	180,720,283	(169,842)
Net assets - end of year					<u>\$88,582,254</u>	<u>97,149,579</u>	<u>185,731,833</u>	<u>(271,259)</u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2006

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$13,630,660	2,730,603	4,702,181	21,063,444
Receivables (net of allowance for uncollectibles)				
Taxes	8,706,655	-	-	8,706,655
Due from other governments	1,646,005	24,631	161,649	1,832,285
Accounts receivable	147,695	-	425	148,120
Due from other funds	313,555	27	-	313,582
Inventory of supplies	15,798	-	37,792	53,590
Note receivable	-	221,665	-	221,665
Prepaid items	-	-	10,140	10,140
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$24,460,368</u>	<u>2,976,926</u>	<u>4,912,187</u>	<u>32,349,481</u>
<u>Liabilities and Fund Balances</u>				
Accounts payable	\$275,889	95,345	74,523	445,757
Accrued costs	1,143,463	-	56,906	1,200,369
Due to other funds	-	313,555	27	313,582
Contracts payable	-	132,061	-	132,061
Deferred revenue	9,415,526	-	82,459	9,497,985
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>10,834,878</u>	<u>540,961</u>	<u>213,915</u>	<u>11,589,754</u>
Fund Balance:				
Reserved for prepaid items and inventory	15,798	-	47,932	63,730
Reserved for project	189,485	-	-	189,485
Reserved for notes receivable	-	214,059	-	214,059
Unreserved and undesignated				
General Fund	13,420,207	-	-	13,420,207
Capital Projects Fund	-	2,221,906	-	2,221,906
Special Revenue Funds	-	-	4,650,340	4,650,340
Total Fund Balances	<u>13,625,490</u>	<u>2,435,965</u>	<u>4,698,272</u>	<u>20,759,727</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$24,460,368</u>	<u>2,976,926</u>	<u>4,912,187</u>	<u>32,349,481</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, 2006

Amounts reported for fund balance - total governmental funds	\$20,759,727
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	77,312,689
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	865,783
Property taxes receivable	115,012
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.	341,706
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.	(49,451)
Bond issue costs are amortized over the life of the bonds in the statement of activities.	58,406
Bond premiums are amortized as a component of interest in the statement of activities.	(39,946)
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	(9,305,253)
Capital leases payable	-
Compensated absences	(1,476,419)
Net assets of governmental activities	<u>\$88,582,254</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, 2006

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$12,043,384	-	-	12,043,384
Payment in lieu of taxes	1,866,715	-	-	1,866,715
Licenses and permits	881,010	-	1,921,996	2,803,006
Intergovernmental	2,627,446	432,588	929,810	3,989,844
Fines and forfeits	1,148,041	-	78,642	1,226,683
Uses of money and property	2,498,280	104,323	1,341,359	3,943,962
Miscellaneous	133,587	-	-	133,587
Total Revenues	21,198,463	536,911	4,271,807	26,007,181
<u>Expenditures</u>				
Current:				
General government	4,823,926	110,117	-	4,934,043
Public safety:				
Police	6,653,065	31,431	79,499	6,763,995
Fire	4,380,753	19,168	-	4,399,921
Highways and streets	975,598	5,050	432,513	1,413,161
Recreation	1,869,620	349,571	1,267,708	3,486,899
Community development	1,105,349	-	-	1,105,349
Debt service	-	-	964,331	964,331
Capital outlay	-	3,351,196	11,794	3,362,990
Total Expenditures	19,808,311	3,866,533	2,755,845	26,430,689
Excess (deficiency) revenues over expenditures	1,390,152	(3,329,622)	1,515,962	(423,508)
<u>Other Financing Sources (Uses)</u>				
Public Building Authority loan issuance	-	5,041,823	-	5,041,823
Transfers in	475,354	994,043	1,018,271	2,487,668
Transfers out	(1,013,462)	-	(1,048,852)	(2,062,314)
Total Other Financing Source (Uses)	(538,108)	6,035,866	(30,581)	5,467,177
Net change in fund balance	852,044	2,706,244	1,485,381	5,043,669
Fund balance, beginning of year, as originally reported	13,067,830	(96,802)	3,212,891	16,183,919
Restatement	(294,384)	(173,477)	-	(467,861)
Fund balance, beginning of year, as restated	12,773,446	(270,279)	3,212,891	15,716,058
Fund balance, end of year	\$13,625,490	2,435,965	4,698,272	20,759,727

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, 2006

Net change in fund balances-total governmental funds: \$5,043,669

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

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

Cost of assets acquired	3,362,990
Depreciation expense	(4,279,558)

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

Property taxes	(1,725)
Local option sales tax	34,436
State shared taxes	24,282
Contributed capital assets	442,296

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	720,506
Debt issuance	(5,000,000)
Debt issuance cost	61,150
Debt premium	(41,823)
Amortization of debt related costs	(2,744)
Amortization of debt related premium	1,877

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

Change in accrued interest on debt	(48,331)
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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	(105,291)
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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 \$101,826)

327,809

Change in net assets of governmental activities

\$539,543

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund	Total	
Assets				
Current Assets:				
Cash and cash equivalents	\$7,352,766	8,767,139	16,119,905	999,120
Cash and cash equivalents - restricted	114,456	481,228	595,684	-
Investments - restricted	-	-	-	-
Receivables:				
Utility customers, net of allowance for estimated uncollectible	869,012	1,203,837	2,072,849	1,065
Grant receivable	146,050	-	146,050	-
Note receivable, current portion	35,842	-	35,842	-
Total Accounts Receivable	1,050,904	1,203,837	2,254,741	1,065
Due from other funds	-	-	-	-
Inventory, at cost	138,081	185,307	323,388	-
Total Current Assets	8,656,207	10,637,511	19,293,718	1,000,185
Noncurrent Assets:				
Restricted Assets:				
Investments	4,974,108	-	4,974,108	-
Special assessments and other receivable	12,250	-	12,250	-
Total Noncurrent Restricted Assets	4,986,358	-	4,986,358	-
Property, Plant and Equipment	123,350,616	20,200,197	143,550,813	-
Less accumulated depreciation	(35,953,423)	(8,428,652)	(44,382,075)	-
Total Property, Plant and Equipment, Net	87,397,193	11,771,545	99,168,738	-
Other Assets:				
Note receivable, net of current portion	263,049	-	263,049	-
Bond issuance cost-net of amortization	191,261	-	191,261	-
Total Other Assets	454,310	-	454,310	-
Total Noncurrent Assets	92,837,861	11,771,545	104,609,406	-
Total Assets	\$101,494,068	22,409,056	123,903,124	1,000,185
Liabilities				
Liabilities:				
Current Liabilities (payable from current assets):				
Accounts payable	\$461,844	704,805	1,166,649	-
Accrued expenses	310,256	139,635	449,891	-
Contracts payable	-	84,051	84,051	426,316
Interest payable	122,630	-	122,630	-
Due to other funds	-	-	-	-
Current maturities of long-term debt	2,286,071	-	2,286,071	-
Total Current Liabilities (payable from current assets)	3,180,801	928,491	4,109,292	426,316
Current Liabilities (payable from restricted assets):				
Construction bonds	80,647	-	80,647	-
Contracts payable	-	-	-	-
Customer deposits and project assistance	33,809	481,228	515,037	-
Total Current Liabilities (payable from restricted assets)	114,456	481,228	595,684	-
Total Current Liabilities	3,295,257	1,409,719	4,704,976	426,316
Noncurrent Liabilities:				
Long-term debt, net of current maturities	22,280,732	-	22,280,732	-
Total Liabilities	25,575,989	1,409,719	26,985,708	426,316
Net Assets				
Invested in capital assets, net of related debt	63,021,651	11,771,545	74,793,196	-
Unrestricted	12,896,428	9,227,792	22,124,220	573,869
Total Net Assets	\$75,918,079	20,999,337	96,917,416	573,869
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				
	210,882	21,281	232,163	
Net assets of business-type activities	\$76,128,961	21,020,618	97,149,579	

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, 2006

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
Operating Revenues:				
Services	\$9,723,614	29,863,669	39,587,283	3,766,738
Other	33,370	4,889	38,259	-
Forfeited discounts	144,011	177,650	321,661	-
Total Operating Revenues	<u>9,900,995</u>	<u>30,046,208</u>	<u>39,947,203</u>	<u>3,766,738</u>
Operating Expenses:				
Gas purchases	-	26,919,449	26,919,449	-
Salaries	1,711,832	472,541	2,184,373	-
Benefits and payroll taxes	837,508	278,874	1,116,382	2,999,553
Travel	5,040	768	5,808	-
Outside services	451,924	31,535	483,459	-
Telephone and utilities	1,242,150	28,169	1,270,319	-
Maintenance and repair	515,515	53,495	569,010	-
Operating supplies	657,111	120,560	777,671	-
Insurance	120,556	83,713	204,269	375,624
Professional services	14,723	58,314	73,037	-
Depreciation and amortization	2,668,029	638,648	3,306,677	-
Administrative support services	468,580	309,544	778,124	-
Other	49,696	48,408	98,104	-
Total Operating Expenses	<u>8,742,664</u>	<u>29,044,018</u>	<u>37,786,682</u>	<u>3,375,177</u>
Operating Income (loss)	<u>1,158,331</u>	<u>1,002,190</u>	<u>2,160,521</u>	<u>391,561</u>
Non-Operating Revenues (Expenses):				
Interest income	294,022	286,500	580,522	38,074
Gain (loss) on sale of capital assets	(1,442)	2,775	1,333	-
Interest expenses	(736,367)	-	(736,367)	-
Total Non-Operating Revenues (Expenses)	<u>(443,787)</u>	<u>289,275</u>	<u>(154,512)</u>	<u>38,074</u>
Net Income (loss) Before Contributions and Transfers	714,544	1,291,465	2,006,009	429,635
Contributions:				
Capital contributions - tap fees	2,131,824	147,802	2,279,626	-
Capital grant	-	-	-	-
Contributions from developers - non cash	509,900	-	509,900	-
Transfers out	<u>(315,077)</u>	<u>(110,277)</u>	<u>(425,354)</u>	<u>-</u>
Change in Net Assets	3,041,191	1,328,990	4,370,181	429,635
Net Assets, Beginning of Year,	<u>72,876,888</u>	<u>19,670,347</u>	<u>92,547,235</u>	<u>144,234</u>
Net Assets, End of Year	<u>\$75,918,079</u>	<u>20,999,337</u>	<u>96,917,416</u>	<u>573,869</u>
Change in Net Assets shown above	3,041,191	1,328,990	4,370,181	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>93,410</u>	<u>8,417</u>	<u>101,826</u>	
Change in net assets of business-type activities	<u>\$3,134,601</u>	<u>1,337,407</u>	<u>4,472,007</u>	

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund	Total	
Cash Flows from Operating Activities:				
Cash received from customers	\$9,977,803	30,512,892	40,490,695	-
Cash paid to employees for services	(1,702,282)	(473,627)	(2,175,909)	-
Cash paid to suppliers for goods and services	(3,623,812)	(27,775,560)	(31,399,372)	-
Payments for interfund administrative support services	(468,580)	(309,544)	(778,124)	-
Cash received on customer deposits	-	65,810	65,810	-
Premiums received	-	-	-	3,776,903
Medical claims and administrative expenses paid	-	-	-	(3,152,821)
Net Cash Provided (Used) by Operating Activities	4,183,129	2,019,971	6,203,100	624,082
Cash Flows from Capital and Related Financing Activities:				
Purchase of property, plant, and equipment	(6,035,652)	(739,903)	(6,775,555)	-
Sale of investments	3,611,582	-	3,611,582	-
Cash received on note receivable	33,759	-	33,759	-
Cash received on construction bonds	27,822	-	27,822	-
Interest paid on debt	(725,668)	-	(725,668)	-
Cash received on sale of capital asset	-	2,775	2,775	-
Payments on long-term debt	(2,228,066)	-	(2,228,066)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,316,223)	(737,128)	(6,053,351)	-
Cash Flows from Non-Capital Financing Activities:				
Transfers	(315,077)	(110,277)	(425,354)	-
Contributed equity-from customers	2,123,774	147,802	2,271,576	-
Net Cash Provided (Used) by Non-Capital Financing Activities	1,808,697	37,525	1,846,222	-
Cash Flows from Investing Activities:				
Interest received on investments	294,022	286,500	580,522	38,074
Net Cash Provided (Used) by Investing Activities	294,022	286,500	580,522	38,074
Net Increase (Decrease) in Cash	969,625	1,606,868	2,576,493	662,156
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	6,497,597	7,641,499	14,139,096	336,964
Cash and Cash Equivalents and Restricted Cash, End of Year	\$7,467,222	9,248,367	16,715,589	999,120

Continued on next page

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds, Continued

For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
<u>Operating Income (Loss) to Net Cash Provided by Operations</u>				
Operating income (loss)	\$1,158,331	1,002,190	2,160,521	\$391,561
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,668,029	638,648	3,306,677	-
(Increase) decrease in:				
Accounts receivable	76,808	466,684	543,492	10,165
Inventory	(5,564)	(62,459)	(68,023)	-
Increase (Decrease) in:				
Accounts payable	257,839	(104,680)	153,159	222,356
Accrued expenses	27,686	13,778	41,464	-
Customer deposits	-	65,810	65,810	-
	-	65,810	65,810	-
Net Cash Provided (used) for Operating Activities	\$4,183,129	2,019,971	6,203,100	624,082

Supplemental Schedule of Non-Cash Capital Financing Activities

In fiscal 2006, the Town accepted \$509,900 in contributed water and sewer lines from developers and capitalized interest in the water and sewer utility in the amount of \$56,230.

In fiscal 2006, the Town liquidated contracts payable in the water and sewer utility fund in the amount of \$1,866,073 and incurred contracts payable in the natural gas fund in the amount of \$20,148 related to plant and equipment in those funds.

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Fiduciary Net Assets

Pension Fund

June 30, 2006

Assets

Investments, at fair value:

Money market funds	\$198,735
Mutual funds	880,042
Certificates of deposit	75,000
U S government securities	1,376,367
Corporate bonds	225,282
Stocks	52,300
Interest receivable	25,478

Total Assets

\$2,833,204

Liabilities

Liabilities

-

Net Assets

Held in Trust for Pension Benefits

2,833,204

Total Net Assets Held in Trust for Pension Benefits

\$2,833,204

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, 2006

Additions

Contributions - employer	\$181,599
Investment earnings	
Interest, dividends and other investment income (loss)	132,378
Net increase (decrease) in fair value of investments	13,386
Net investment earnings	145,764
Total additions	327,363

Deductions

Pension benefits	105,468
Total deductions	105,468

Change in net assets	221,895
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Net assets held in trust for pension benefits beginning of year	2,611,309
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Net assets held in trust for pension benefits end of year	\$2,833,204
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See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flow

Proprietary Fund Type - Component Unit

Industrial Development Fund

June 30, 2006

Cash Flows from Operating Activities:	
Cash received from customers	\$208,150
Net Cash Provided (Used) by Operating Activities	<u>208,150</u>
Cash Flows from Capital and Related Financing Activities:	
Interest paid on debt	(176,211)
Payments on long-term debt	<u>(50,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(226,211)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>1,965</u>
Net Cash Provided (Used) by Investing Activities	<u>1,965</u>
Net Increase (Decrease) in Cash	(16,096)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>37,255</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u><u>\$21,159</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations

Operating income (loss)	\$72,749
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	132,901
(Increase) decrease in:	
Accounts receivable	2,500
	<u>-</u>
Net Cash Provided (used) for Operating Activities	<u><u>\$208,150</u></u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2006

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 began 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, 2006

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, 2006

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, 2006

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 11 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 capital 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. There was \$56,230 capitalized interest 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

Other Assets

Other assets in the government wide financial statements include debt issue costs and prepaid items in the governmental activities and the noncurrent portion of a note receivable and debt issue costs in the business activities.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2006

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, 2006

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 taxes are not available 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 \$.86 and \$.69 per \$100 of assessed valuation for tax years 2006 and 2005 respectively. Payments may be made during the period from October 1 through February 28. Current tax collections of \$4,236,758 for the fiscal year ended June 30, 2006 were approximately 98 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 \$8,689,303 which is net of an allowance for doubtful collections of \$17,352. Of this receivable amount, \$157,517 represents prior year property taxes, \$6,412,180 represents the estimated net realizable 2006 property taxes and \$2,027,600 represents estimated net realizable 2006 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 \$8,706,655 with an offsetting deferred revenue for amounts not available at June 30, 2006. The additional amount included in taxes receivable reported in the statements of \$109,358 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, 2006 there were no amounts exposed to custodial credit risk.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2006

2) DEPOSITS AND INVESTMENTS (Continued)

Investments

At June 30, 2006, 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	\$ 4,000,000	10,735	AAA
Money Market Funds	974,108	N/A	N/A
Local Government Investment Pool	<u>12,725,961</u>	N/A	N/A
Total	\$ 17,700,069		
 Liquid investments (Cash equivalents)	 <u>12,725,961</u> <u>\$ 4,974,108</u>		
 Fiduciary Fund-Pension Fund:			
Common Stock	\$ 52,300	N/A	N/A
Government Securities:			
Federal Home Loan Bank	1,158,786	1,057	AAA
Federal Farm Credit Bank	73,199	931	AAA
Federal Farm Credit Bureau	48,748	737	AAA
FHLMC	23,428	1,719	AAA
Federal Home Loan Mortgage	48,266	603	AAA
Federal National Mortgage	23,940	788	AAA
Corporate Obligations	225,282	622	AA-A
Money Market Fund	198,735	N/A	N/A
Mutual Funds Equity	880,042	N/A	N/A
Certificate of Deposit	<u>75,000</u>	337	N/A
	\$ <u>2,807,726</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, 2006, the Town had four investments in an organization that represents 5 per cent or more of total investments.

Federal Home Loan Bank	\$	1,158,786
ED FDG South, Inc TN EDL LN Rev		4,000,000

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

3) CAPITAL ASSETS

Governmental Activities

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance <u>July 1, 2005</u>	Increases	Reclasses & <u>Decreases</u>	Balance <u>June 30, 2006</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,488,924	-	-	2,488,924
Construction in progress	1,049,135	1,019,049	(930,994)	1,137,190
<u>Capital assets being depreciated:</u>				
Buildings	15,132,204	-	-	15,132,204
Improvements other than buildings	11,581,665	1,290,560	405,087	13,277,312
Equipment	11,339,767	757,891	(132,974)	11,964,684
Infrastructure	<u>72,539,981</u>	<u>737,786</u>	<u>525,907</u>	<u>73,803,674</u>
Total	<u>114,131,676</u>	<u>3,805,286</u>	<u>(132,974)</u>	<u>117,803,988</u>
 <u>Accumulated Depreciation</u>				
Buildings	\$ 9,070,331	504,328	-	9,574,659
Improvements	1,452,328	447,513	-	1,899,841
Equipment	8,615,773	902,419	(132,974)	9,385,218
Infrastructure	<u>17,206,283</u>	<u>2,425,298</u>	<u>-</u>	<u>19,631,581</u>
Total accumulated depreciation	<u>36,344,715</u>	<u>4,279,558</u>	<u>(132,974)</u>	<u>40,491,299</u>
Governmental activities capital assets-net	<u>\$ 77,786,961</u>			<u>77,312,689</u>

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

General Government	\$ 302,686
Public Safety	
Police	274,474
Fire	297,564
Highways and street	2,622,798
Recreation	673,813
Community development	<u>108,223</u>
	<u>\$ 4,279,558</u>

Current year additions include improvements donated from developers of \$442,296.

Business-Type Activities:

Capital assets of the Enterprise Funds consisted of the following at June 30, 2006:

<u>Asset</u>	<u>Balance July 1, 2005</u>	<u>Reclasses & Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>	<u>Water and Sewer Fund</u>	<u>Gas Fund</u>	<u>Component Unit</u>
<u>Capital assets not being depreciated</u>							
Land and land rights	\$ 1,662,340	2,750	-	1,665,090	1,457,106	207,984	-
Construction in progress	1,564,341	2,882,611	(4,085,504)	361,448	308,266	53,182	-
<u>Capital assets being depreciated</u>							
Utility plant and buildings	129,680,797	1,896,893	3,938,167 (1,441)	135,514,416	118,135,326	17,379,090	3,855,320
Machinery and equipment	5,195,645	713,505	147,337 (46,628)	6,009,859	3,449,918	2,559,941	-
<u>Less accumulated depreciation</u>							
Utility plant and buildings	(36,473,272)	(3,080,732)	-	(39,554,004)	(33,522,974)	(6,031,030)	(203,484)
Machinery and equipment	(4,673,791)	(200,908)	46,628	(4,828,071)	(2,430,449)	(2,397,622)	-
Total	<u>\$ 96,956,060</u>	<u>2,214,119</u>	<u>(1,441)</u>	<u>99,168,738</u>	<u>87,397,193</u>	<u>11,771,545</u>	<u>3,651,836</u>
Current year depreciation				<u>\$ 2,642,992</u>	<u>638,648</u>	<u>125,511</u>	

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

4) RECEIVABLES AND DEFERRED REVENUE

A summary of receivables at June 30, 2006 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	\$ 6,569,697	-	-	-	-	6,569,697
Other taxes & in lieu taxes	2,136,958	-	-	-	-	2,136,958
Grants receivable	3,600	24,631	146,050	-	-	174,281
Customer	148,760	-	905,498	1,319,376	425	2,374,059
Other governments	1,642,405	-	-	-	161,649	1,804,054
Less allowance	(17,352)	-	(36,486)	(115,539)	-	(169,377)
	<u>\$ 10,484,068</u>	<u>24,631</u>	<u>1,015,062</u>	<u>1,203,837</u>	<u>162,074</u>	<u>12,889,672</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 \$221,665. 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 \$298,891, related to a construction project. The note is repayable in monthly installments of \$4,400 including interest at 6% over fourteen years.

Deferred revenue consists of amounts that are either unearned or unavailable to liquidate liabilities of the current period. At June 30, 2006 the components of deferred revenue were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes (unavailable)	\$ 6,412,180	6,412,180
Delinquent property taxes (unavailable)	-	132,364
Unlevied in lieu of taxes (unavailable)	2,027,600	2,027,600
State and county shared taxes (unavailable)	36,994	902,777
Other (unearned)	<u>23,064</u>	<u>23,064</u>
	<u>\$ 8,499,838</u>	<u>9,497,985</u>

5) RESTRICTED ASSETS

A summary of restricted assets at June 30, 2006 is as follows:

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	
Cash	\$ 114,456	481,228	595,684
Investments	4,974,108	-	4,974,108
Special assessments and other receivable	<u>12,250</u>	<u>-</u>	<u>12,250</u>
Total	<u>\$ 5,100,814</u>	<u>481,228</u>	<u>5,582,042</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, 2006:

	Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2006</u>	Payable Within <u>One Year</u>
Governmental Activities:					
General obligation loan	\$ 4,985,187	5,000,000	679,934	9,305,253	809,929
Capital Leases	40,572	-	40,572	-	-
Compensated absences	<u>1,371,128</u>	<u>1,270,559</u>	<u>1,165,268</u>	<u>1,476,419</u>	<u>775,000</u>
Total	\$ 6,396,887	<u>6,270,559</u>	<u>1,885,774</u>	10,781,672	<u>1,584,929</u>
 Bond Premium	 -	 <u>41,823</u>	 <u>1,877</u>	 <u>39,946</u>	
	<u>\$ 6,396,887</u>			<u>10,821,618</u>	
Business-type Activities:					
Revenue and tax bonds	<u>\$26,928,813</u>	<u>-</u>	<u>2,228,066</u>	24,700,747	<u>2,286,071</u>
Deferred amount on refunding				<u>(133,944)</u>	
				\$ <u>24,566,803</u>	

Long-term debt payable at June 30, 2006 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.	\$ 2,709,253
2001 Issue Public Building Authority Loan (\$3,000,000) due in increasing annual installments through May 2010 at varying levels of interest based on weekly remarketing prices through the bond index. There is no cap on the interest rate.	1,596,000
2005 General Obligation Bonds (\$5,000,000) due in annual installments through April 2020 at interest rates from 3.65% to 4.25%.	<u>5,000,000</u>
	<u>\$ 9,305,253</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

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

Revenue and Tax Bonds:

1998 Issue Public Building Authority Loan (\$8,594,375) 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.	\$ 6,440,747
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.	3,975,000
2003 Water and Sewer Revenue and Tax Refunding Bonds (\$2,220,000) due in annual installments through August 2006 at 2% interest.	745,000
2003A 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%.	3,940,000
2004 Water and Sewer Revenue and Tax Bonds (\$10,000,000) due in annual installments through May 2024 at varying levels of interest.	<u>9,600,000</u>
Total Business-type Activities	\$ <u>24,700,747</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>\$ 4,050,000</u>

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2006 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>
2007	\$ 809,929	2,286,071	1,298,503	4,394,503	229,175
2008	840,516	2,405,484	1,176,025	4,422,025	228,075
2009	872,992	2,492,008	1,041,380	4,406,380	231,762
2010	907,356	2,580,644	899,760	4,387,760	230,250
2011	804,609	2,701,391	750,769	4,256,769	228,600
2012-2016	2,999,851	6,440,149	2,177,081	11,617,081	1,195,765
2017-2021	2,070,000	3,720,000	827,375	6,617,375	1,387,315
2022-2026	-	2,075,000	126,750	2,201,750	1,407,322
2027-2031	-	-	-	-	1,463,159
2032-2036	-	-	-	-	<u>869,657</u>
	<u>\$9,305,253</u>	<u>24,700,747</u>	<u>8,297,643</u>	<u>42,303,643</u>	<u>7,471,080</u>

Refundings

The amount of defeased bonds outstanding from prior years refundings is \$3,910,000.

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)	37
	b.) Non-vested	<u>-</u>
	c.) Total	<u>37</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:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)-see Note 1 (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Annual Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b-a)/c</u>
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%
07/1/05	2,610,627	3,248,282	637,655	80.4%	1,460,894	43.65%

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>
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%
2006	181,599	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

Prior to July 1, 2005, 8% per annum. 7.5% per annum effective July 1, 2005.

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 \$585,464 and the employees contributed \$552,239. 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 Town contests all 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 2006, the Town paid \$124,408 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 2006, the Town paid \$10,800 in rent to the Airport Authority.

The Town has entered into an operating lease for golf course equipment, with annual payments of \$24,768 through 2009. The equipment can be purchased at fair market value at end of lease. Total lease expense for 2006 was \$48,622.

Contracts:

At June 30, 2006, the Town had substantially completed all construction projects except for a utility project totaling \$218,000 which was 90% complete.

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 \$3,509,158 as well as certain annual maintenance fees and sinking fund requirements. The Corps has threatened termination of the Town's easement for its main water supply pipeline if not paid. The Town has filed suit against the Corps and the Corps has responded that no termination will be effected without a 30 day notice. 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)

Contingencies, (Continued):

The Town has received an agreed order from the Tennessee Department of Environment and Conservation (TDEC). The Town paid a penalty of \$13,500 subject to other penalties of up to \$59,400 if certain goals are not met during the monitoring period through September 2017.

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, 2006, the Authority had net assets of \$30,347,059. Net operating losses for the 2006 and 2005 fiscal years were \$1,852,199 and \$1,721,326 respectively. During the year, the Town of Smyrna paid a total of \$135,208 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 \$298,891.

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, 2006. The composition of interfund balances at June 30, 2006 were as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$313,555	Capital Projects Fund	\$313,555
Capital Projects Fund	27	Nonmajor Governmental Fund	27

Interfund transfers for the year ended June 30, 2006 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	\$110,277	-	-	110,277
Water and Sewer Fund	315,077	-	-	315,077
General Fund	-	330,293	683,169	1,013,462
Nonmajor Governmental Funds	<u>50,000</u>	<u>663,750</u>	<u>335,102</u>	<u>1,048,852</u>
Totals	<u>\$ 475,354</u>	<u>994,043</u>	<u>1,018,271</u>	<u>2,487,668</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 \$7,272 and \$33,759 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, 2006, services to this company accounted for the following percentages of total revenues of the water, sewer and natural gas fund customer revenues.

Gas Fund	48.0 %
Water and Sewer Fund	17.8 %

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, 2006. 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>
2003-2004	\$ 365,222	2,771,295	(2,668,333)	468,184
2004-2005	468,184	3,188,601	(3,452,824)	203,961
2005-2006	203,961	3,374,072	(3,152, 821)	425,212

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 was one retired employee eligible which elected participation. The Town paid \$10,754 for coverage of this retired employee during the year.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements, Continued

15) SUBSEQUENT EVENTS

Subsequent to year end, the Town authorized to issue not to exceed \$9,500,000 in general obligation bonds. The purpose of the bonds is for public works improvements.

Also subsequent to year end the Town authorized a loan in the amount of \$268,000 to the Smyrna/Rutherford County Airport Authority. The purpose of the loan is for airport improvements.

16) FUND DEFICIT

The component unit, Industrial Development Fund, ended the fiscal year with a net asset deficit of \$271,259. 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:

2007	\$ 229,175
2008	228,075
2009	231,762
2010	230,250
2011	228,600
thereafter	<u>6,323,218</u>
	<u>\$ 7,471,080</u>

17) RESTATEMENT

During the fiscal year management determined that amounts recognized as revenues in prior years relating to grants, in the amount of \$173,477 recorded in the Capital Projects Fund and contributions from a private developer in the amount of \$294,384, recorded in the General Fund several years prior, should not have been recognized. The correction resulted in a decrease in beginning net assets in the government-wide statements and a decrease in the beginning fund balances for these funds respectively. The effect on prior years change in net assets and change in fund balance was a decrease 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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Real estate taxes	\$4,323,000	4,323,000	4,332,007	9,007
Business tax	440,000	440,000	203,263	(236,737)
Wholesale beer tax	865,000	865,000	898,585	33,585
Local option sales tax	5,550,000	5,854,505	6,133,469	278,964
Other	392,500	392,500	476,060	83,560
Total Taxes	<u>11,570,500</u>	<u>11,875,005</u>	<u>12,043,384</u>	<u>168,379</u>
Payments in lieu of taxes	<u>1,835,000</u>	<u>1,835,000</u>	<u>1,866,715</u>	<u>31,715</u>
Licenses and Permits	<u>504,400</u>	<u>504,400</u>	<u>881,010</u>	<u>376,610</u>
Intergovernmental Revenues:				
State of Tennessee income tax	15,000	15,000	73,315	58,315
State of Tennessee beer tax	14,500	14,500	16,471	1,971
State of Tennessee sales tax	2,020,000	2,097,000	2,210,226	113,226
Maintenance of state roads	74,000	74,000	73,716	(284)
Federal and state grants	-	-	3,600	3,600
Other state and county shared taxes	197,030	197,030	250,118	53,088
Total Intergovernmental Revenues	<u>2,320,530</u>	<u>2,397,530</u>	<u>2,627,446</u>	<u>229,916</u>
Fines and forfeits	<u>780,500</u>	<u>780,500</u>	<u>1,148,041</u>	<u>367,541</u>
Uses of Property and Money:				
Penalties	34,200	34,200	42,502	8,302
Performance bond	-	-	-	-
Interest earned	385,000	385,000	751,831	366,831
Rent	95,000	95,000	51,143	(43,857)
Traffic school fees	150,000	150,000	201,868	51,868
Administrative support charges	778,124	778,124	778,124	-
Cemetery revenue	30,000	30,000	62,250	32,250
Recreation fees and community center fees	389,500	389,500	407,393	17,893
Food sales	225,000	225,000	203,169	(21,831)
Total Uses of Property and Money	<u>2,086,824</u>	<u>2,086,824</u>	<u>2,498,280</u>	<u>411,456</u>
Other	<u>421,780</u>	<u>601,780</u>	<u>133,587</u>	<u>(468,193)</u>
Total Revenues	<u>19,519,534</u>	<u>20,081,039</u>	<u>21,198,463</u>	<u>1,117,424</u>
Expenditures:				
General Government:				
Current:				
Legislative Board:				
Salaries	36,000	36,000	36,300	(300)
Benefits and payroll taxes	15,540	15,540	18,706	(3,166)
Travel	-	10,500	6,544	3,956
Other	47,400	55,400	34,230	21,170
Total Legislative Board	<u>98,940</u>	<u>117,440</u>	<u>95,780</u>	<u>21,660</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, 2006

	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	\$479,970	479,970	438,298	41,672
Benefits and payroll taxes	188,570	189,570	134,902	54,668
Contractual services	32,125	32,125	55,273	(23,148)
Other	20,639	28,169	19,772	8,397
Total City and General Sessions Court	<u>721,304</u>	<u>729,834</u>	<u>648,245</u>	<u>81,589</u>
Vehicle Maintenance:				
Salaries	122,640	125,640	132,194	(6,554)
Benefits and payroll taxes	58,300	58,300	55,687	2,613
Other	62,000	62,000	57,515	4,485
Total City Garage	<u>242,940</u>	<u>245,940</u>	<u>245,396</u>	<u>544</u>
Codes, Engineering and Planning:				
Salaries	619,390	619,390	590,307	29,083
Benefits and payroll taxes	257,370	259,670	222,679	36,991
Board expenditures	600	600	740	(140)
Insurance	7,550	7,550	7,196	354
Telephone and utilities	2,710	3,250	2,640	610
Supplies	16,625	17,625	16,152	1,473
Repairs and maintenance	3,200	3,200	1,708	1,492
Professional services	1,500	3,000	12,667	(9,667)
Other	32,310	34,410	20,932	13,478
Total Codes, Engineering and Planning	<u>941,255</u>	<u>948,695</u>	<u>875,021</u>	<u>73,674</u>
Building and Grounds:				
Salaries	471,590	471,590	408,528	63,062
Benefits and payroll taxes	218,470	219,970	205,574	14,396
Repairs and maintenance	47,900	48,700	48,096	604
Supplies	30,600	32,135	33,582	(1,447)
Insurance	9,100	9,100	9,741	(641)
Cemetery	11,050	12,050	12,983	(933)
Other	1,975	2,275	1,413	862
Total Building Maintenance	<u>790,685</u>	<u>795,820</u>	<u>719,917</u>	<u>75,903</u>
Finance and Administration:				
Salaries	1,284,170	1,262,670	1,213,361	49,309
Benefits and payroll taxes	524,750	536,250	468,228	68,022
Memberships and testing	22,065	23,955	27,306	(3,351)
Telephone and utilities	101,600	103,050	137,864	(34,814)
Professional services	66,450	67,200	132,323	(65,123)
Repairs and maintenance	6,310	7,060	1,857	5,203
Travel	-	18,410	2,425	15,985
Supplies	80,580	85,480	59,634	25,846
Insurance	19,550	19,550	23,891	(4,341)
Outside services	122,721	133,871	123,972	9,899
Other	87,700	91,900	48,706	43,194
Total Finance and Administration	<u>2,315,896</u>	<u>2,349,396</u>	<u>2,239,567</u>	<u>109,829</u>
Total Current	<u>5,111,020</u>	<u>5,187,125</u>	<u>4,823,926</u>	<u>363,199</u>
Capital Outlay	-	-	-	-
Total General Government	<u>5,111,020</u>	<u>5,187,125</u>	<u>4,823,926</u>	<u>363,199</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Public Safety:				
Police Department:				
Current:				
Salaries	\$4,505,380	4,505,380	4,396,124	109,256
Benefits and payroll taxes	1,917,380	1,927,380	1,670,060	257,320
Outside services	61,123	69,118	46,785	22,333
Memberships and testing	7,220	7,220	10,613	(3,393)
Telephone	33,070	33,070	39,738	(6,668)
Repairs and maintenance	49,150	49,150	94,951	(45,801)
Travel	1,000	14,690	6,862	7,828
Supplies	195,838	195,838	297,876	(102,038)
Insurance	80,000	80,000	82,535	(2,535)
Other	2,500	9,750	7,521	2,229
Total Current	<u>6,852,661</u>	<u>6,891,596</u>	<u>6,653,065</u>	<u>238,531</u>
Capital Outlay	-	-	-	-
Total Police Department	<u>6,852,661</u>	<u>6,891,596</u>	<u>6,653,065</u>	<u>238,531</u>
Fire Department:				
Current:				
Salaries	3,043,070	3,037,070	2,821,103	215,967
Benefits and payroll taxes	1,338,750	1,338,750	1,078,978	259,772
Memberships and testing	7,775	7,775	10,062	(2,287)
Telephone and utilities	66,000	66,000	104,323	(38,323)
Repairs and maintenance	61,600	61,600	114,892	(53,292)
Supplies	112,224	120,974	126,491	(5,517)
Insurance	40,000	40,000	42,124	(2,124)
Outside services	54,807	72,307	76,062	(3,755)
Other	7,125	16,000	6,718	9,282
Total Current	<u>4,731,351</u>	<u>4,760,476</u>	<u>4,380,753</u>	<u>379,723</u>
Capital Outlay	-	-	-	-
Total Fire Department	<u>4,731,351</u>	<u>4,760,476</u>	<u>4,380,753</u>	<u>379,723</u>
Total Public Safety	<u>11,584,012</u>	<u>11,652,072</u>	<u>11,033,818</u>	<u>618,254</u>
Highways and Streets:				
Current:				
Salaries	464,620	464,620	460,238	4,382
Benefits and payroll taxes	268,500	268,500	251,505	16,995
Telephone and utilities	20,000	20,000	25,830	(5,830)
Repairs and maintenance	99,000	120,000	106,961	13,039
Supplies	54,000	58,000	82,063	(24,063)
Insurance	15,300	15,300	14,718	582
Outside services	17,750	17,750	12,483	5,267
Other	31,940	31,940	21,800	10,140
Total Current	<u>971,110</u>	<u>996,110</u>	<u>975,598</u>	<u>20,512</u>
Capital Outlay	-	-	-	-
Total Highways and Streets	<u>971,110</u>	<u>996,110</u>	<u>975,598</u>	<u>20,512</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Recreation:				
Current:				
Salaries	\$978,760	978,760	897,144	81,616
Benefits and payroll taxes	354,075	354,075	335,093	18,982
Memberships and testing	5,797	6,097	5,859	238
Telephone and utilities	162,067	162,067	199,218	(37,151)
Repairs and maintenance	83,813	86,713	87,974	(1,261)
Travel	3,600	11,225	4,778	6,447
Outside services	138,962	138,962	157,833	(18,871)
Recreation programs	15,055	22,455	22,810	(355)
Advertising and promotion	3,900	12,000	11,743	257
Supplies	88,433	91,258	104,084	(12,826)
Insurance	22,800	22,800	21,412	1,388
Rent	11,800	11,800	11,387	413
Other	13,200	13,200	10,285	2,915
Total Current	<u>1,882,262</u>	<u>1,911,412</u>	<u>1,869,620</u>	<u>41,792</u>
Capital Outlay	-	-	-	-
Total Recreation	<u>1,882,262</u>	<u>1,911,412</u>	<u>1,869,620</u>	<u>41,792</u>
Community Development:				
Current:				
Salaries	297,250	297,250	256,403	40,847
Benefits and payroll taxes	125,190	125,190	115,201	9,989
Telephone and utilities	39,500	42,500	72,030	(29,530)
Repairs and maintenance	12,500	15,500	13,587	1,913
Travel	-	-	-	-
Outside services	9,000	9,000	9,658	(658)
Advertising and promotion	3,100	3,100	501	2,599
Food purchase	91,700	101,700	121,609	(19,909)
Supplies	30,700	30,700	34,620	(3,920)
Insurance	2,100	2,100	1,921	179
Contributions to non-profits	476,181	476,181	476,181	-
Other	2,700	2,700	3,638	(938)
Total Current	<u>1,089,921</u>	<u>1,105,921</u>	<u>1,105,349</u>	<u>572</u>
Capital Outlay	-	-	-	-
Total Community Development	<u>1,089,921</u>	<u>1,105,921</u>	<u>1,105,349</u>	<u>572</u>
Total Expenditures	<u>20,638,325</u>	<u>20,852,640</u>	<u>19,808,311</u>	<u>1,044,329</u>
Excess Revenues Over Expenditures	<u>(1,118,791)</u>	<u>(771,601)</u>	<u>1,390,152</u>	<u>2,161,753</u>
Other Financing Sources (Uses):				
Transfer to Capital Projects Fund	(810,356)	(1,075,126)	(330,293)	744,833
Transfer to Drug Fund	(20,000)	(20,000)	(42,401)	(22,401)
Transfer to Debt Service Fund	(561,359)	(643,779)	(640,768)	3,011
Transfer from Gas Fund	110,277	110,277	110,277	-
Transfer from Water and Sewer Fund	315,077	315,077	315,077	-
Transfer from Golf Course Fund	50,000	50,000	50,000	-
Total Other Financing Sources (Uses)	<u>(916,361)</u>	<u>(1,263,551)</u>	<u>(538,108)</u>	<u>725,443</u>
Net change in fund balance	<u>(2,035,152)</u>	<u>(2,035,152)</u>	<u>852,044</u>	<u>2,887,196</u>
Fund Balance, beginning of year, as originally reported	13,067,830	13,067,830	13,067,830	-
Restatement	(294,384)	(294,384)	(294,384)	-
Fund Balance, beginning of year, as restated	<u>12,773,446</u>	<u>12,773,446</u>	<u>12,773,446</u>	-
Fund Balance, end of year	<u>\$10,738,294</u>	<u>10,738,294</u>	<u>13,625,490</u>	<u>2,887,196</u>

See accompanying notes to required supplementary information

TOWN OF SMYRNA, TENNESSEE

Notes to Required Supplementary Information

June 30, 2006

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 increased by \$561,505 and the Capital Projects Funds expenditure budget was increased by \$634,770. Nonmajor governmental fund expenditures budgets and other uses were increased by \$132,000.

**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, 2006

<u>Assets</u>	<u>Special Revenue Funds</u>				Debt Service Fund	Total Nonmajor Governmental Funds
	Drug Fund	State Street Aid Fund	Golf Course Fund	Impact Fee Fund		
Cash in bank	\$100,129	462,071	189,652	3,950,329	-	4,702,181
Due from other governments	1,658	159,991	-	-	-	161,649
Receivables	-	-	425	-	-	425
Prepaid items	-	-	10,140	-	-	10,140
Inventory	-	-	37,792	-	-	37,792
Total Assets	<u>\$101,787</u>	<u>622,062</u>	<u>238,009</u>	<u>3,950,329</u>	<u>-</u>	<u>4,912,187</u>
<u>Liabilities and Fund Balance</u>						
Liabilities:						
Accounts payable	\$1,370	29,441	12,025	31,687	-	74,523
Accrued liabilities	-	-	56,906	-	-	56,906
Contract payable	-	-	-	-	-	-
Due to other funds	-	-	-	27	-	27
Deferred revenue	-	82,459	-	-	-	82,459
Total Liabilities	<u>1,370</u>	<u>111,900</u>	<u>68,931</u>	<u>31,714</u>	<u>-</u>	<u>213,915</u>
Fund balance:						
Reserved for inventory and prepaids	-	-	47,932	-	-	47,932
Unreserved, undesignated	100,417	510,162	121,146	3,918,615	-	4,650,340
Total Fund Balance	<u>100,417</u>	<u>510,162</u>	<u>169,078</u>	<u>3,918,615</u>	<u>-</u>	<u>4,698,272</u>
Total Liabilities and Fund Balance	<u>\$101,787</u>	<u>622,062</u>	<u>238,009</u>	<u>3,950,329</u>	<u>-</u>	<u>4,912,187</u>

TOWN OF SMYRNA, TENNESSEE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	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	\$ -	929,810	-	-	-	929,810
Total Intergovernmental	-	929,810	-	-	-	929,810
Licenses and permits	-	-	-	1,921,996	-	1,921,996
Fines, forfeitures and seizures	78,642	-	-	-	-	78,642
Uses of Money and Property:						
Interest	635	9,606	-	138,160	-	148,401
Golf fees, rental, and sales	-	-	1,192,958	-	-	1,192,958
Total Uses of Money and Property	635	9,606	1,192,958	138,160	-	1,341,359
Total Revenues	79,277	939,416	1,192,958	2,060,156	-	4,271,807
Expenditures:						
Current:						
Drug enforcement	79,499	-	-	-	-	79,499
Recreation and culture	-	-	1,267,708	-	-	1,267,708
Highways and streets	-	432,513	-	-	-	432,513
Total Current	79,499	432,513	1,267,708	-	-	1,779,720
Debt service	-	-	-	-	964,331	964,331
Capital outlay	11,794	-	-	-	-	11,794
Total Expenditures	91,293	432,513	1,267,708	-	964,331	2,755,845
Excess (deficiency) of revenues over expenditures	(12,016)	506,903	(74,750)	2,060,156	(964,331)	1,515,962
Other Financing Sources (Uses):						
Transfer to Debt Service Fund	-	(335,102)	-	-	-	(335,102)
Transfer from General Fund	42,401	-	-	-	640,768	683,169
Transfer from State Street Aid Fund	-	-	-	-	335,102	335,102
Transfer to Capital Projects Fund	-	-	-	(652,211)	(11,539)	(663,750)
Transfer to General Fund	-	-	(50,000)	-	-	(50,000)
Total Other Financing Sources (Uses)	42,401	(335,102)	(50,000)	(652,211)	964,331	(30,581)
Net change in fund balance	30,385	171,801	(124,750)	1,407,945	-	1,485,381
Fund balance, beginning of year	70,032	338,361	293,828	2,510,670	-	3,212,891
Fund balance, end of year	\$100,417	510,162	169,078	3,918,615	-	4,698,272

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines forfeitures and seizures	\$45,100	45,100	79,277	34,177
Total Revenue	45,100	45,100	79,277	34,177
Expenditures:				
Current:				
Miscellaneous:				
Drug enforcement	59,500	79,500	79,499	1
Total Current	59,500	79,500	79,499	1
Capital outlay	-	12,000	11,794	206
Total Expenditures	59,500	91,500	91,293	207
Excess (deficiency) of revenues over expenditures	(14,400)	(46,400)	(12,016)	34,384
Other Financing Sources (Uses):				
Transfer from General Fund	20,000	20,000	42,401	22,401
Net change in fund balance	5,600	(26,400)	30,385	56,785
Fund balance, beginning of year	70,032	70,032	70,032	-
Fund balance, end of year	\$75,632	43,632	100,417	56,785

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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
State gasoline and motor fuel tax and fees	\$845,000	845,000	929,810	84,810
Uses of Money and Property:				
Interest	1,600	1,600	9,606	8,006
Total Revenues	846,600	846,600	939,416	92,816
Expenditures:				
Current:				
Street maintenance - repairs	485,000	485,000	94,003	390,997
Lighting	260,000	260,000	290,400	(30,400)
Signals	98,000	98,000	48,110	49,890
Total Current	843,000	843,000	432,513	410,487
Capital outlay	-	-	-	-
Total Expenditures	843,000	843,000	432,513	410,487
Excess (deficiency) of revenues over expenditures	3,600	3,600	506,903	(317,671)
Other Financing Sources (Uses):				
Transfer to Debt Service Fund	(340,223)	(340,223)	(335,102)	5,121
Net change in fund balance	(336,623)	(336,623)	171,801	508,424
Fund balance, beginning of year	338,361	338,361	338,361	-
Fund balance, end of year	\$1,738	1,738	510,162	508,424

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Uses of money and property:				
Course fees	\$773,000	773,000	657,306	(115,694)
Snack bar sales	170,000	170,000	150,648	(19,352)
Golf shop sales	145,000	145,000	110,992	(34,008)
Cart and locker rentals	304,200	304,200	263,499	(40,701)
Other	16,000	16,000	10,513	(5,487)
Total Revenues	1,408,200	1,408,200	1,192,958	(215,242)
Expenditures:				
Recreation and culture:				
Current:				
Salaries	578,710	578,710	516,971	61,739
Benefits and payroll taxes	250,715	250,715	216,438	34,277
Memberships and testing	4,052	4,052	4,396	(344)
Telephone and utilities	29,000	29,000	36,424	(7,424)
Repairs and maintenance	45,500	45,500	29,264	16,236
Outside services	14,900	14,900	12,258	2,642
Supplies	29,800	29,800	32,623	(2,823)
Snack bar resale items	85,000	85,000	85,871	(871)
Golf resale items	85,000	85,000	86,648	(1,648)
Chemicals	60,000	60,000	49,841	10,159
Insurance	8,675	8,675	7,656	1,019
Land and equipment rental	184,599	184,599	187,718	(3,119)
Other	5,775	5,775	1,600	4,175
Total Current	1,381,726	1,381,726	1,267,708	114,018
Capital Outlay	-	-	-	-
Total Expenditures	1,381,726	1,381,726	1,267,708	114,018
Excess (deficiency) of revenues over expenditures	26,474	26,474	(74,750)	(101,224)
Other Financing Sources (Uses):				
Transfer to General Fund	(50,000)	(50,000)	(50,000)	-
Transfer to Capital Projects Fund	(59,000)	(59,000)	-	59,000
Total Other Financing Sources (Uses)	(109,000)	(109,000)	(50,000)	59,000
Net change in fund balance	(82,526)	(82,526)	(124,750)	(42,224)
Fund balance, beginning of year	293,828	293,828	293,828	-
Fund balance, end of year	\$211,302	211,302	169,078	(42,224)

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:	Original	Final		
Licenses and permits	\$1,990,000	1,990,000	1,921,996	(68,004)
Uses of Money and Property:				
Interest	55,000	55,000	138,160	83,160
Total Revenue	2,045,000	2,045,000	2,060,156	15,156
Expenditures:	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	2,045,000	2,045,000	2,060,156	15,156
Other Financing Sources (Uses):				
Transfers to Capital Project Fund	(3,245,000)	(3,345,000)	(652,211)	2,692,789
Total Other Financing Sources (Uses)	(3,245,000)	(3,345,000)	(652,211)	2,692,789
Net change in fund balance	(1,200,000)	(1,300,000)	1,407,945	2,707,945
Fund balance, beginning of year	2,510,670	2,510,670	2,510,670	-
Fund balance, end of year	\$1,310,670	1,210,670	3,918,615	2,707,945

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental :				
Grants - state and federal	\$2,469,833	2,469,833	432,588	(2,037,245)
	<u>2,469,833</u>	<u>2,469,833</u>	<u>432,588</u>	<u>(2,037,245)</u>
Uses of Money and Property:				
Interest	-	-	104,323	104,323
Other - private grant	-	-	-	-
Total Revenue	<u>2,469,833</u>	<u>2,469,833</u>	<u>536,911</u>	<u>(1,932,922)</u>
Expenditures:				
Recreation and Culture:				
Current				
Supplies	394,500	400,000	349,571	50,429
Capital outlay	3,322,000	3,497,000	1,317,846	2,179,154
Highways and Streets:				
Current				
Supplies	10,000	10,000	5,050	4,950
Capital outlay	2,894,580	2,944,580	752,874	2,191,706
Public Safety:				
Current				
Supplies - fire	2,000	6,950	19,168	(12,218)
Supplies - police	11,500	14,050	31,431	(17,381)
Capital outlay - fire	1,539,341	1,809,341	269,657	1,539,684
Capital outlay - police	228,957	252,027	206,399	45,628
General Government:				
Current				
Supplies	23,100	56,300	110,117	(53,817)
Capital outlay	3,177,350	3,247,850	804,420	2,443,430
Total Expenditures	<u>11,603,328</u>	<u>12,238,098</u>	<u>3,866,533</u>	<u>8,371,565</u>
Excess (deficiency) of revenues over expenditures	<u>(9,133,495)</u>	<u>(9,768,265)</u>	<u>(3,329,622)</u>	<u>6,438,643</u>
Other Financing Sources:				
General obligation bond issuance	5,019,139	5,289,139	5,041,823	(247,316)
Transfers from Golf Course Fund	59,000	59,000	-	(59,000)
Transfers from Debt Service Fund	-	-	11,539	11,539
Transfers from Impact Fee Fund	3,245,000	3,345,000	652,211	(2,692,789)
Transfers from General Fund	810,356	1,075,126	330,293	(744,833)
Total Other Financing Sources	<u>9,133,495</u>	<u>9,768,265</u>	<u>6,035,866</u>	<u>(3,732,399)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>2,706,244</u>	<u>2,706,244</u>
Fund balance, beginning of year, as originally reported	<u>(96,802)</u>	<u>(96,802)</u>	<u>(96,802)</u>	<u>-</u>
Restatement	<u>(173,477)</u>	<u>(173,477)</u>	<u>(173,477)</u>	<u>-</u>
Fund balance, beginning of year, as restated	<u>(270,279)</u>	<u>(270,279)</u>	<u>(270,279)</u>	<u>-</u>
Fund balance, end of year	<u><u>(\$270,279)</u></u>	<u><u>(270,279)</u></u>	<u><u>2,435,965</u></u>	<u><u>2,706,244</u></u>

TOWN OF SMYRNA, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2006

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	1,809,189	-	706,023	8,350,621
Public safety:							
Police	-	-	-	3,246,677	-	-	3,246,677
Fire	70,000	3,213,910	74,632	2,889,870	-	-	6,248,412
Highways and streets	499,877	169,247	1,638,940	1,659,924	72,624,484	389,468	76,981,940
Recreation	459,799	4,884,985	10,851,308	2,277,736	1,179,190	41,699	19,694,717
Community development	-	3,200,333	-	81,288	-	-	3,281,621
Total governmental capital assets	<u><u>\$2,488,924</u></u>	<u><u>15,132,204</u></u>	<u><u>13,277,312</u></u>	<u><u>11,964,684</u></u>	<u><u>73,803,674</u></u>	<u><u>1,137,190</u></u>	<u><u>117,803,988</u></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, 2006

Function and Activity	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
General government	\$7,674,649	804,420		8,479,069
Public safety:				
Police	2,942,166	218,193	89,771	3,070,588
Fire	6,037,706	269,657	12,000	6,295,363
Highways and streets	75,745,284	1,195,170	31,203	76,909,251
Recreation	18,450,250	1,317,846		19,768,096
Community development	3,281,621	-		3,281,621
Total governmental capital assets	<u>\$114,131,676</u>	<u>3,805,286</u>	<u>132,974</u>	<u>117,803,988</u>

TOWN OF SMYRNA, TENNESSEE
Schedule of Cash and Cash Equivalents

All Funds

June 30, 2006

Major Governmental Funds

<u>Type of Investment or Account</u>	<u>Interest Rate</u>	<u>Amount</u>
<u>General Fund:</u>		
Demand deposits and savings	Various	\$5,893,141
Local Government Investment Pool	Various	7,736,144
Change funds	-	1,375
Total General Fund		<u>13,630,660</u>
<u>Capital Projects Fund</u>		
Demand deposits and savings	-	2,730,603
Total Capital Projects Fund		<u>2,730,603</u>
<u>Nonmajor Governmental Funds</u>		
<u>Drug Fund:</u>		
Cash		100
Demand deposit	-	100,029
Total Drug Fund		<u>100,129</u>
<u>State Street Aid Fund:</u>		
Local Government Investment Pool	Various	318,852
Demand deposits and savings	Various	143,219
Total State Street Aid Fund		<u>462,071</u>
<u>Golf Course Fund:</u>		
Demand deposits and savings	Various	188,481
Change funds	-	1,171
Total Golf Course Fund		<u>189,652</u>
<u>Impact Fee Fund</u>		
Demand deposits and savings	-	3,950,329
Total Impact Fee Fund		<u>3,950,329</u>
<u>Proprietary Funds</u>		
<u>Water and Sewer Fund:</u>		
Demand deposits and savings	Various	6,932,571
Local Government Investment Pool	Various	534,052
Change funds	-	600
Total Water and Sewer Fund		<u>7,467,223</u>
<u>Natural Gas Fund:</u>		
Local Government Investment Pool	Various	4,136,913
Demand deposits and savings	Various	5,111,453
Total Natural Gas Fund		<u>9,248,366</u>
<u>Internal Service Fund</u>		
Demand deposits and savings	Various	999,120
Total Internal Service Fund		<u>999,120</u>
Total Primary Government		<u>\$38,778,153</u>

Component Unit:

<u>Industrial Development Fund</u>		
Demand deposits and savings	-	\$21,159
Total Industrial Development Fund		<u>\$21,159</u>

TOWN OF SMYRNA, TENNESSEE
Schedule of Changes in Property Taxes Receivable
General Fund
For the Year Ended June 30, 2006

<u>Fiscal Year</u>	<u>Balance June 30, 2005</u>	<u>Adjustments/ Assessments</u>	<u>Collections</u>	<u>Balance June 30, 2006</u>
2005 - 2006	\$ -	4,326,352	4,236,758	89,594
2004 - 2005	87,281	-	64,131	23,150
2003 - 2004	27,105	-	15,492	11,613
2002 - 2003	15,283	-	5,317	9,966
2001 - 2002	13,666	-	3,294	10,372
2000 - 2001	5,989	-	524	5,465
1999 - 2000	2,550	-	192	2,358
1998 - 1999	3,889	-	242	3,647
1997 - 1998	846	-	102	744
1996 - 1997	708	-	100	608
1995 - 1996	617	-	617	-
	<u>\$157,934</u>	<u>4,326,352</u>	<u>4,326,769</u>	157,517
2006 - 2007**				<u>6,412,180</u>
				<u>\$6,569,697</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, 2006

Year Ending <u>June 30,</u>	Public Building Authority Loan	Public Building Authority Loan	Public Building Authority Loan	Interest Requirements	Total
2007	\$332,929	377,000	100,000	413,068	1,222,997
2008	349,516	391,000	100,000	373,571	1,214,087
2009	366,992	406,000	100,000	332,545	1,205,537
2010	385,356	422,000	100,000	289,896	1,197,252
2011	404,609	-	400,000	245,528	1,050,137
2012	424,751	-	400,000	208,298	1,033,049
2013	445,100	-	400,000	170,060	1,015,160
2014	-	-	430,000	130,805	560,805
2015	-	-	440,000	112,530	552,530
2016	-	-	460,000	96,470	556,470
2017	-	-	500,000	79,220	579,220
2018	-	-	500,000	60,970	560,970
2019	-	-	520,000	41,470	561,470
2020	-	-	550,000	21,175	571,175
	<u>\$2,709,253</u>	<u>1,596,000</u>	<u>5,000,000</u>	<u>2,575,606</u>	<u>11,880,859</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Maturities of Indebtedness and Interest Requirements

Enterprise Fund

June 30, 2006

Year Ending June 30,	Water and Sewer Fund					Interest Requirements	Total
	Bond Issue						
	1998	2001	2003	2003A	2004		
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>\$6,440,747</u>	<u>3,975,000</u>	<u>745,000</u>	<u>3,940,000</u>	<u>9,600,000</u>	<u>5,722,037</u>	<u>30,422,784</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

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>
16.607	Bullet Proof Vests	U. S. Department of Justice	\$3,600
20.205	Greenways Grant	Federal Highway Administration	6,990
20.205	Greenways Grant	Federal Highway Administration	425,598
			<u>\$436,188</u>

This schedule was prepared using the accrual basis of accounting.

At June 30, 2006, 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, 2006

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, 2005	Program Adjustments, Income & Grant Receipts	Expenditures	(Accrued) or Deferred Revenue at June 30, 2006
16.607	N/A	Bulletproof Vests Grant	U. S. Department of Justice	\$-	-	3,600	(3,600)
20.205	STP-M-1(178)	Downtown Revitalization	Federal Highway Administration	(611,853)	438,376 173,477 *	- -	-
20.205	HPP-7500	Greenway Grant	Federal Highway Administration	(20,589)	23,088	6,990	(4,491)
20.205	HPP-9315	Greenway Grant	Federal Highway Administration	(1,343,356)	1748814	425,598	(20,140)
Total Federal Assistance				<u>(\$1,975,798)</u>	<u>2,383,755</u>	<u>436,188</u>	<u>(28,231)</u>
 State Grants:							
	Z-02-008492-00	TIIP Grants	TN Dept. of Economic and Community Development	(\$38,798)	-	-	(38,798)
	Z-02-008493-00			(36,310)	-	-	(36,310)
	Z-02-008494-00			(36,310)	-	-	(36,310)
	Z-02-008495-00			(34,632)	-	-	(34,632)
				<u>(\$146,050)</u>	<u>-</u>	<u>-</u>	<u>(146,050)</u>

This schedule was prepared using the accrual basis of accounting.

* Adjustment

TOWN OF SMYRNA, TENNESSEE

**Schedule of Insurance in Force
(Unaudited)
June 30, 2006**

TML Risk Management Pool	
General Liability:	
Town	\$5,000,000
Automobile Coverage:	
Liability	\$1,000,000
Uninsured Motorist - bodily injury/property damage	\$250,000/\$85,000
 TML Risk Management Pool	
Law Enforcement Professional Liability	\$1,000,000
Public Officials and Employees Legal Liability	\$1,000,000/\$1,000,000
 TML Risk Management Pool	
Fire and Extended Coverage:	
Buildings and Contents	\$76,322,768
Electronic Equipment and Data Policy	\$887,478
Mobile Equipment	\$3,280,860
Commercial Crime:	
Employee Dishonesty	\$100,000
Forgery	\$100,000
Theft Disappearance and Destruction	\$100,000
Traffic Signals	\$1,313,789
 Affinity Programs - Natural Gas:	
General Liability:	\$1,000,000/\$5,000,000
Excess Liability	\$9,000,000/\$4,000,000
 Ohio Casualty and Travelers Insurance Company	
Highway Entrance Bond - State	\$10,000
Fidelity Bonds for Public Officials	\$1,000,000
	\$80,000
 Ohio Casualty:	
Running Surety Bond - County	\$2,000
 American Alternative Insurance Company - Fire Department	
General Liability/Aggregate	\$1,000,000/\$3,000,000
Excess Liability	\$5,000,000/\$10,000,000
Automobile	
Liability	\$1,000,000

TOWN OF SMYRNA, TENNESSEE

**Schedule of Salaries of Elected Officials and Fidelity Bonds
of Principal Officials
(Unaudited)
June 30, 2006**

<u>Position</u>	<u>Bond</u>	<u>Salary</u>
Mayor	-	\$7,200
Council Members	-	4,800
Town Manager	\$200,000	
Finance Director*	100,000	
Accounting and Purchasing Manager*	100,000	
Town Clerk	100,000	
Financial Analyst*	100,000	

* Check Signers

TOWN OF SMYRNA, TENNESSEE

**Schedule of Utility Data
(Unaudited)**

June 30, 2006

<u>Services</u>	<u>Number of Customers</u>
Water	13,033
Sewer	12,938
Natural Gas	8,354
Fire Hydrants	1,435
<u>Rates</u>	
Water (in Town)	
First 2,000 gallons	\$6.55
2,001 - 25,000 gallons	1.97/1,000 gallons
25,001 - 52,000 gallons	2.25/1,000 gallons
thereafter	2.39/1,000 gallons
Water (outside Town)	
First 2,000 gallons	\$8.60
2,001 - 25,000 gallons	2.96/1,000 gallons
25,001 - 52,000 gallons	3.38/1,000 gallons
thereafter	3.59/1,000 gallons
Sewer (in Town)	
First 2,000 gallons	\$8.77
thereafter	1.92/1,000 gallons
Sewer (outside Town)	
First 2,000 gallons	\$13.09
thereafter	2.52/1,000 gallons
Natural Gas	
Residential and Small Commercial	\$2.00/first 400 cubic feet
Any excess at current market rate	