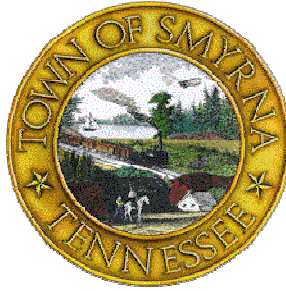


INTRODUCTORY SECTION

Town Council

Mary Esther Bell
H. G. Cole
Tony Dover
Paul Johns
Lance Lee
James Yates



Finance Department
Mark Tucker, Director

Mayor
Bobby G. Spivey

Town Manager
Mark O'Neal

December 18, 2006

The Honorable Mayor, Town Council and Citizens of the Town of Smyrna, Tennessee:

The Comprehensive Annual Financial Report of the Town of Smyrna, Tennessee (the "Town" or "Town of Smyrna") for the fiscal year ending June 30, 2006 is hereby submitted as required by state statutes. These statutes require that all general-purpose local governments publish a complete set of audited financial statements.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements. Because the cost of internal controls should not exceed anticipated benefits, the Town's internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

The Town's financial statements have been audited by Yeary, Howell & Associates. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Smyrna's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Smyrna is located in middle Tennessee in the northwestern part of Rutherford County. The town is in close proximity to the southeastern boundary of Metropolitan Nashville-Davidson County and is joined by the City of Murfreesboro on the south. The City of LaVergne is immediately to the northwest of the town. The incorporated area of the town covers approximately 25 square miles and serves a population of 33,123.

The town was first incorporated in December 1869, but that incorporating charter was repealed in 1881. The town then operated under a Mayor and Commission form of government authorized by a charter dated May 5, 1915. In January 2000, the town adopted a new charter changing to a Council-Manager form of government. The new charter also changed the number of members in the governing body of the town. The governing body is made up of the Mayor and six Council, who serve four-year terms of office. The Mayor and Council appoint the Town Manager, who is the chief, non-elected administrative officer of the town.

The town provides a wide range of services characteristic of similar jurisdictions in the state. These services include police and fire protection; the maintenance of highways and streets; parks and recreation; community development; and general administrative services. The town also operates water, sewer, and natural gas utilities for its residents. Electric power is provided by the Middle Tennessee Electric Membership Cooperative. The town is also financially accountable for a legally separate industrial development board, which is reported separately within the town's financial statements. Additional information on this board can be found in the notes to the financial statements on page 25.

The annual budget serves as the foundation for the Town's financial planning and control. The town maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the town's governing body. The legal level of budgetary control is at the department level. Any revision to the total expenditures of any department or transfers between departments must be approved by the Town Council. Additional information concerning the Town's budgetary process can be found on page 47 of this report.

Local Economy

The Town currently enjoys a favorable economic environment and local indicators point to continued stability. The town enjoys a diversified base of employment from area industries and also serves as a bedroom community to Nashville. The largest single employer is Nissan North America, Inc., a leading manufacturer of vehicles in America. Nissan is also one of Tennessee's largest employers with approximately 6,900 employees.

The Town continues to see strong commercial growth within its boundaries. This growth provides jobs and sales tax revenue, which has allowed the Town to achieve a more balanced tax structure and become less dependent on the property tax to fund municipal services. At the end of the fiscal year, the local option sales tax revenue was 12.3% more than the previous year. The Town expects this growth to continue, and budgeted a 6.5% growth for fiscal year 2007. Current collections are at a level of 9% over fiscal year 2006.

The local economy has consistently remained healthier than the national economy, with the average unemployment rate below the national average. During the past ten years, the unemployment rate for Smyrna has averaged about 3.7%, while the national rate for the same time period has averaged about 5%. Unemployment is expected to either remain stable or

decrease in the near future due to the fact that a national home improvement warehouse recently opened and a national discount store is contemplating opening a location in the Town.

Long-term Financial Planning

As part of the Town's budget process, a five-year capital plan is developed in order to assess future needs. As part of this plan, projects are evaluated as to their future funding source in order that the Town can adequately plan for future bond issue needs, as well as investing idle cash.

Relevant Financial Policies

The Town's Financial, Debt, and Budget Management Policy, as adopted by the Town Council, requires that ending fund balance of the general fund be maintained at a level that equals at least 50% of operating expenditures. This policy is in place to provide a contingency plan for times of economic downturn or one-time use for capital expansion.

Major Initiatives

During the 2006 fiscal year the Town initiated a comprehensive plan for the Town that will study and plan for future needs. Some of the things this study will accomplish is to update the major thoroughfare plan and land use plan, study traffic flows, look at items of historical and cultural significance, study neighborhood locations, study business growth patterns and review the drainage areas and future green space for the Town. The public will have an opportunity to have input into the final product and it will be approved for implementation by the Council.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Smyrna for its comprehensive annual financial report (CAFR) for the year ended June 30, 2005. The Certificate of Achievement is a prestigious national award that recognizes our publication of an easily readable and efficiently organized CAFR, whose content conforms to program standards. Those standards require the CAFR satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town of Smyrna has received a Certificate of Achievement for the last eighteen consecutive years (fiscal years ended 1988-2005). We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efforts of the members of the Finance Department office staff and the cooperation of each of the Town's departments. Specific appreciation is expressed to Town Finance Manager Rex Gaither and Town Financial Analyst Ed Hamblin on their preparation and thoroughness throughout the audit process. Credit also must be given to the Mayor and Town Council and Town Manager Mark O'Neal for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Smyrna's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark A. Tucker". The signature is written in a cursive style with a large initial "M" and "A".

Mark A. Tucker
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Smyrna
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



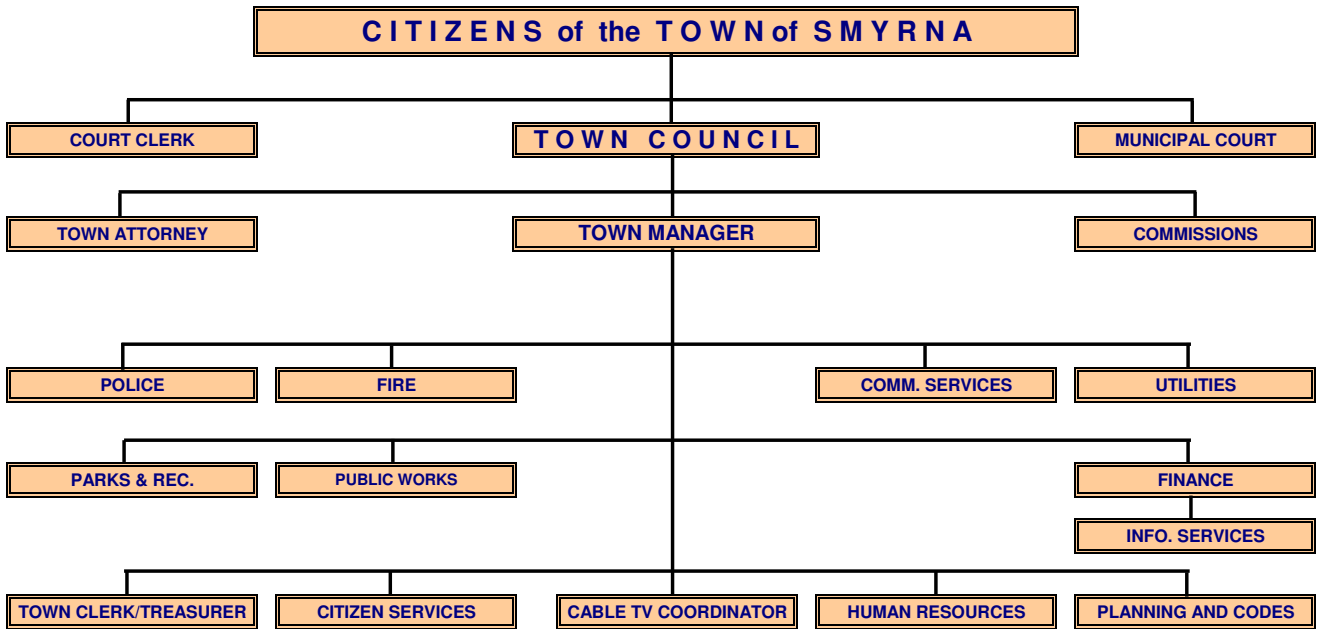
Carla E. Perry

President

Jeffrey R. Enos

Executive Director

MANAGEMENT ORGANIZATION CHART



TOWN OF SMYRNA, TENNESSEE

Town Officials

ELECTED OFFICIALS:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bob Spivey	Mayor	December 2010
Tony Dover	Vice Mayor, Councilman	December 2010
H. G. Cole	Councilman	December 2010
James Yates	Councilman	December 2008
Paul Johns	Councilman	December 2008
Lance Lee	Councilman	December 2010
Mary Esther Bell	Councilwoman	December 2008

APPOINTED OFFICIALS:

		<u>Date of Appointment</u>
Mark O'Neal	Town Manager	September 2002
Pat Hickey	Director of Utilities	April 2004
Mark A. Tucker	Director of Finance	September 1999
Michael Beach	Chief of Police	January 1998
Bill Culbertson	Fire Chief	January 1993
David King	Director of Public Works	February 2006
Hal Loflin	Director of Community Services	June 1993
Mike Moss	Director of Parks and Recreation	June 2004