

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL**

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discreetly presented component units, each major fund and the aggregate remaining fund information of the Town of Smyrna as of and for the year ended June 30, 2007, which collectively comprise the Town of Smyrna's basic financial statements and have issued a report thereon dated October 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Smyrna's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of Smyrna's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Smyrna's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Smyrna's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Smyrna's financial statements is more than inconsequential will not be prevented or detected by the Town of Smyrna's internal control. We consider the deficiencies described in accompanying Schedule of Findings and Recommendations to be significant deficiencies in internal control over financial reporting. 01-01

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Smyrna's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Smyrna's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that were reported to management in a separate letter dated October 24, 2007.

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

The Town of Smyrna's responses to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the Town of Smyrna's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Board of Aldermen and, State Comptroller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeany Howell & Associates*

October 24, 2007