

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, 2008. 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 \$204,365,710 (net assets). Of this amount, \$30,708,261 (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 \$12,183,515.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,873,682, a decrease of \$7,182,686 in comparison with the prior year. Approximately 97% of this total amount, \$16,322,492, 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 \$16,053,343, or 65% 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 decreased by \$3,346,000 during the current fiscal year. This was a result of 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, stormwater, 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 eight 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 six governmental funds are combined into a single, aggregated presentation.

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

The general fund statement of revenues, expenditures, and changes in fund balance provides additional details of the fund, as well as, a budget comparison to demonstrate compliance with the budget. This statement can be found on pages 18-21 of this report.

Individual fund data for each of the nonmajor governmental funds is provided in the form of combining and individual fund statements and schedules. The schedules provide a budget comparison to demonstrate compliance with the budget.

The combining and individual fund statements and schedules can be found on pages 47-55 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 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 22-25 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 26-27 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 28-46 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 \$204,365,710 at the close of the most recent fiscal year.

Net Assets - Primary Government						
June 30						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 32,508,667	\$ 39,589,307	\$ 21,263,762	\$ 24,203,432	\$ 53,772,429	\$ 63,792,739
Capital Assets	<u>98,117,242</u>	<u>85,014,484</u>	<u>108,182,318</u>	<u>103,408,585</u>	<u>206,299,560</u>	<u>188,423,069</u>
Total Assets	<u>130,625,909</u>	<u>124,603,791</u>	<u>129,446,080</u>	<u>127,612,017</u>	<u>260,071,989</u>	<u>252,215,808</u>
Long-term Liabilities Outstanding	18,726,056	19,536,930	19,942,220	22,314,218	38,668,276	41,851,148
Other Liabilities	<u>13,581,169</u>	<u>14,248,600</u>	<u>3,456,834</u>	<u>3,933,865</u>	<u>17,038,003</u>	<u>18,182,465</u>
Total Liabilities	<u>32,307,225</u>	<u>33,785,530</u>	<u>23,399,054</u>	<u>26,248,083</u>	<u>55,706,279</u>	<u>60,033,613</u>
Net Assets:						
Invested in Capital Assets, net of related debt	81,028,922	67,127,060	88,240,098	83,143,805	169,269,020	150,270,865
Restricted	4,388,429	8,749,358	-	-	4,388,429	8,749,358
Unrestricted	<u>12,901,333</u>	<u>14,941,843</u>	<u>17,806,928</u>	<u>18,220,129</u>	<u>30,708,261</u>	<u>33,161,972</u>
Total Net Assets	<u>\$ 98,318,684</u>	<u>\$ 90,818,261</u>	<u>\$ 106,047,026</u>	<u>\$ 101,363,934</u>	<u>\$ 204,365,710</u>	<u>\$ 192,182,195</u>

By far the largest portion of the Town of Smyrna's net assets (82.8 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 (2.15 percent) represents resources that are subject to external restrictions on how they may be used. These include net assets restricted for capital projects (\$3,920,073), highways and streets (\$458,202) and law enforcement (\$10,154). The remaining balance of unrestricted net assets (\$30,708,261) may be used to meet the government's ongoing obligations to citizens and creditors.

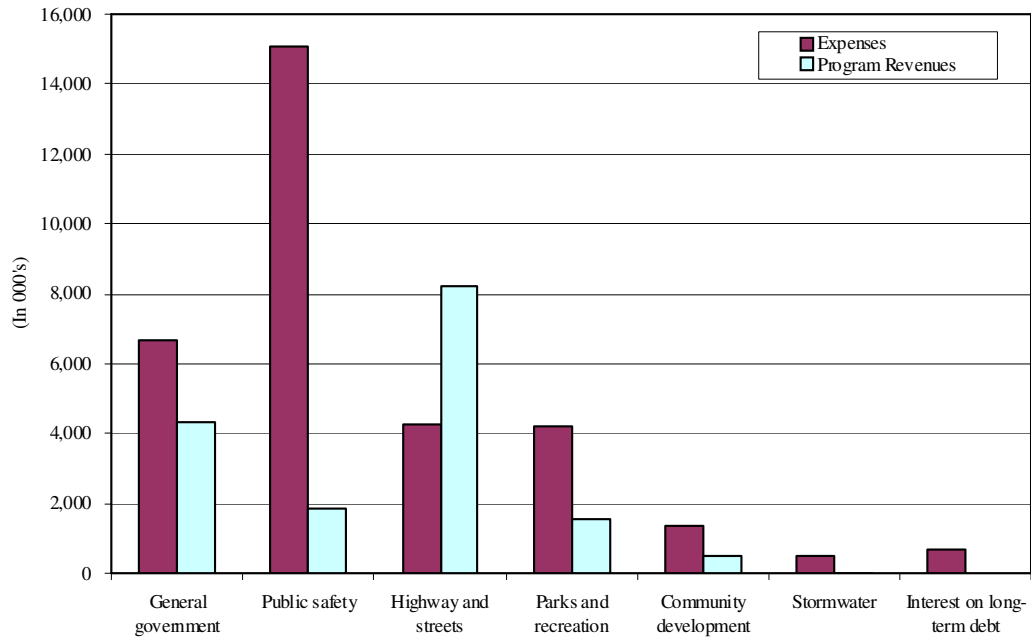
At the end of the current fiscal year, the Town of Smyrna is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the Town of Smyrna's net assets by \$7,500,423, thereby accounting for 61.6 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. The majority of the increase is from the contribution of donated infrastructure capital assets. Another portion of this increase is due to the increase in local option sales tax. The growth in local option sales tax is due to the increase in commercial business in the last year.

Changes in Net Assets
For the year ended June 30

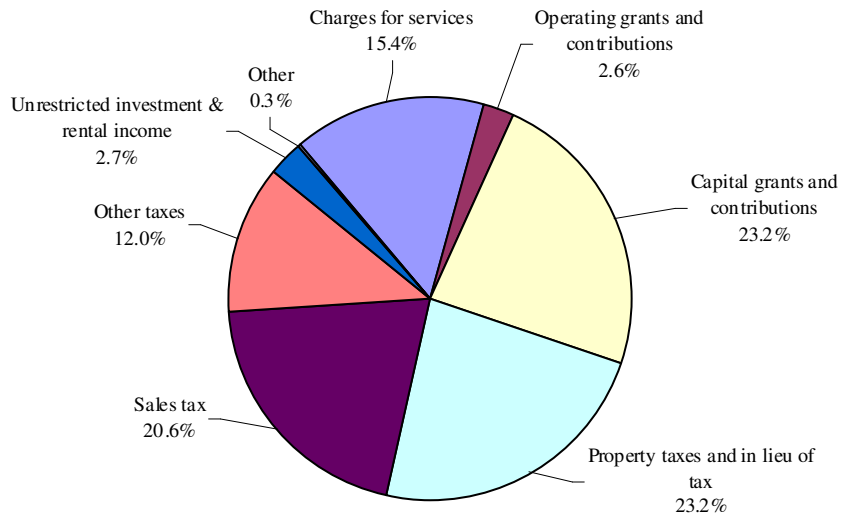
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Charges for services	\$ 6,115,670	\$ 5,893,789	\$ 31,627,512	\$ 32,885,577	\$ 37,743,182	\$ 38,779,366
Operating grants and contributions	1,048,308	1,021,278	-	-	1,048,308	1,021,278
Capital grants and contributions	9,198,553	3,939,901	5,111,011	2,890,998	14,309,564	6,830,899
General revenues:						
Property taxes and in lieu of tax	9,195,425	8,689,991	-	-	9,195,425	8,689,991
Sales tax	8,187,025	6,478,662	-	-	8,187,025	6,478,662
Other taxes	4,746,847	4,737,292	-	-	4,746,847	4,737,292
Gain on sale of capital assets	23,367	238,504	-	-	23,367	238,504
Unrestricted investment earnings	1,058,635	1,562,488	659,593	992,158	1,718,228	2,554,646
Other	104,943	100,392	(113,745)	-	(8,802)	100,392
Total Revenues	<u>39,678,773</u>	<u>32,662,297</u>	<u>37,284,371</u>	<u>36,768,733</u>	<u>76,963,144</u>	<u>69,431,080</u>
Expenses:						
General government	6,657,254	6,768,869	-	-	6,657,254	6,768,869
Public safety	15,056,464	13,075,351	-	-	15,056,464	13,075,351
Highway and streets	4,277,621	5,064,368	-	-	4,277,621	5,064,368
Parks and recreation	4,202,662	4,124,288	-	-	4,202,662	4,124,288
Community development	1,380,316	1,385,545	-	-	1,380,316	1,385,545
Stormwater	508,715	-	-	-	508,715	-
Interest on long-term debt	669,262	556,204	-	-	669,262	556,204
Water and Sewer	-	-	11,573,972	10,556,573	11,573,972	10,556,573
Natural Gas	-	-	20,453,363	21,449,470	20,453,363	21,449,470
Total expenses	<u>32,752,294</u>	<u>30,974,625</u>	<u>32,027,335</u>	<u>32,006,043</u>	<u>64,779,629</u>	<u>62,980,668</u>
Increase in net assets before transfers	6,926,479	1,687,672	5,257,036	4,762,690	12,183,515	6,450,362
Transfers	573,944	548,335	(573,944)	(548,335)	-	-
Increase in net assets	<u>7,500,423</u>	<u>2,236,007</u>	<u>4,683,092</u>	<u>4,214,355</u>	<u>12,183,515</u>	<u>6,450,362</u>
Net assets - beginning	90,818,261	88,582,254	101,363,934	97,149,579	192,182,195	185,731,833
Net assets - ending	<u>\$ 98,318,684</u>	<u>\$ 90,818,261</u>	<u>\$ 106,047,026</u>	<u>\$ 101,363,934</u>	<u>\$ 204,365,710</u>	<u>\$ 192,182,195</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 and Parks and Recreation were also substantial activities reflecting the Town’s commitment to safe and adequate roads and leisure activity.

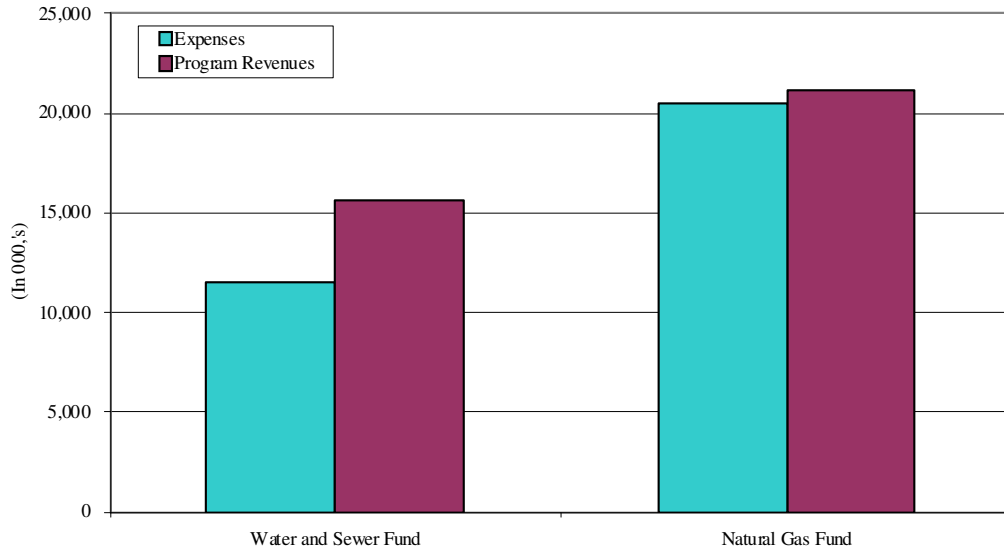
Revenue by Source – Governmental Activities



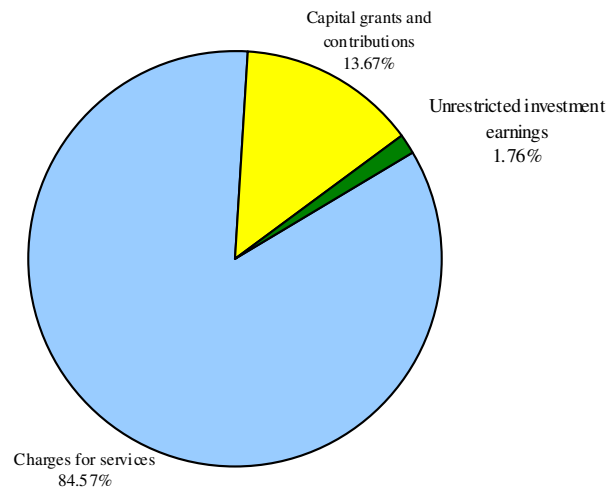
Business-type activities. Business-type activities increased the Town of Smyrna’s net assets by \$4,683,092, accounting for 38.4 percent of the total growth in the government’s net assets. Key elements of this increase are as follows:

- The Town's Water and Sewer Fund accounts for 85.3% of the increase in business-type net assets. The majority of the change in net assets is a result of cash and non-cash capital contributions to the Water and Sewer Fund.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Smyrna's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,873,682, a decrease of \$7,182,686 in comparison with the prior year. Approximately 97% of this total amount (\$16,322,492) 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 (\$197,783), project (\$288,612), and prepaid items and inventory (\$64,795).

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 \$16,053,343, while total fund balance reached \$16,375,984. 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 65 percent of total general fund expenditures, while total fund balance represents 66 percent of that same amount.

The fund balance of the Town of Smyrna's general fund increased by \$931,171 during the current fiscal year. Key factors in this growth are as follows:

- Local option sales tax collections increased by \$1,513,210 during the year, a result of the increase in population of the surrounding area, as well as, the continued growth in commercial business in the Town.
- Real estate tax revenues increased by \$544,831 during the year, a result of an increase in the real estate tax base due to growth.

The capital projects fund has a total fund balance of (\$2,791,144), of which \$197,783 is reserved for the noncurrent portion of notes receivable. The net decrease in fund balance during the current year in the capital projects fund was \$6,381,139. The key factor in this decrease was expenditures for capital projects. These capital projects were funded from cash from a previous bond issue, impact fee funds and funds from the general fund, which will be paid back from a bond issue expected in fiscal year 2009.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$6,269,778 and those for the Natural Gas Fund amounted to \$11,082,481. The total growth in net assets for the funds was \$3,842,700 and \$680,643, 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 \$2,500 increase in appropriations between the original and final amended general fund expenditure budget and can be summarized with the following increase:

- \$2,500 supplemental amendment to fund additional operating supplies in the highways and streets department.

The supplemental amendments were funded from unreserved and undesignated fund balance.

Additional information about the budget process can be found in Note 17, on page 46 of this report.

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, 2008 amounts to \$206,299,560 (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 9.48 percent (a 15.41 percent increase for governmental activities and a 4.61 percent increase for business-type activities).

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

- Construction was completed on the headworks project at the waste water treatment plant; resulting in an increase to the utility plant of \$6,420,859 for this project.
- Construction continued on the rock springs water line, which amounted to \$1,514,968 for this project for the fiscal year.
- Engineering and design continued on Cedar Stone Community Park, which amounted to \$230,543 for this project as of the close of the fiscal year.
- Construction was completed on the Smyrna Justice Center renovation; resulting in an increase in land and buildings of \$5,061,555 for this project.
- Purchased 10 police patrol vehicles amounting to \$225,070.
- Construction was completed on widening Morton Lane; resulting in an increase in infrastructure of \$3,382,141 for this project.
- Construction continued on widening Enon Springs Road West; which amounted to \$2,440,706 for this project as of the close of the fiscal year.
- Construction was completed on the Downtown Revitalization project; resulting in an increase in improvements of \$889,416 for this project.
- Construction was completed on Fire Hall 6 on Morton Lane; resulting in an increase in land and buildings of \$1,749,384 for this project.
- Construction continued on widening Rock Springs Road; which amounted to \$929,553 for this project as of the close of the fiscal year.

Capital Assets
(net of accumulated depreciation)
June 30

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 4,639,676	\$ 4,221,586	\$ 1,665,090	\$ 1,665,090	\$ 6,304,766	\$ 5,886,676
Buildings and system	12,064,806	5,217,178	102,086,800	95,413,777	114,151,606	100,630,955
Improvements other than buildings	12,052,876	11,215,301	-	-	12,052,876	11,215,301
Machinery and equipment	2,927,558	2,354,273	1,301,850	1,416,970	4,229,408	3,771,243
Infrastructure	60,437,881	53,235,365	-	-	60,437,881	53,235,365
Construction in progress	5,994,445	8,770,781	3,128,578	4,912,748	9,123,023	13,683,529
Total Assets, net	<u>\$ 98,117,242</u>	<u>\$ 85,014,484</u>	<u>\$ 108,182,318</u>	<u>\$ 103,408,585</u>	<u>\$ 206,299,560</u>	<u>\$ 188,423,069</u>

Additional information on the Town's capital assets can be found in Note 3 on page 35 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Smyrna had total bonded debt outstanding of \$37,064,000. Of this amount, \$17,054,808 is debt backed by the full faith and credit of the government; \$20,009,192 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	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 17,054,808	\$ 17,995,324	\$ -	\$ -	\$ 17,054,808	\$ 17,995,324
Revenue and tax bonds	<u>-</u>	<u>-</u>	<u>20,009,192</u>	<u>22,414,676</u>	<u>20,009,192</u>	<u>22,414,676</u>
Total	<u>\$ 17,054,808</u>	<u>\$ 17,995,324</u>	<u>\$ 20,009,192</u>	<u>\$ 22,414,676</u>	<u>\$ 37,064,000</u>	<u>\$ 40,410,000</u>

The Town of Smyrna’s total bonded debt decreased by \$3,346,000 (8.28%) during the current fiscal year. This was a result of the payment of current debt owed.

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 4.6% of assessed property value.

Additional information on the Town of Smyrna’s long-term debt can be found in Note 6 on pages 37-38 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the Town of Smyrna is currently 6.4 percent or 1,280 persons, which is 3.1 percent or 600 persons more than a year ago. This compares favorably to the state’s average unemployment rate of 6.6 percent, but is 0.3 percent higher than the national average rate of 6.1 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 2009 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$16,053,343. The Town of Smyrna appropriated \$1,202,568 of this amount for spending on one time capital assets in the 2008 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/Asst. Town Manager
315 South Lowry
Smyrna, Tennessee 37167
E-mail: mark.tucker@townofsmyrna.org

TOWN OF SMYRNA, TENNESSEE

Statement of Net Assets

June 30, 2008

<u>Assets</u>	Primary Government		Total	Component Unit
	Governmental Activities	Business Activities		Industrial Development Fund
Cash and cash equivalents	\$20,220,830	15,817,813	36,038,643	46,606
Receivables (net of allowance for uncollectibles)				
Taxes	9,825,366	-	9,825,366	-
Due from other governments	2,175,243	-	2,175,243	-
Accounts receivable	277,572	2,950,061	3,227,633	-
Inventories, at cost	64,795	450,692	515,487	-
Internal balances	(469,685)	469,685	-	-
Restricted assets:				
Cash and equivalents - customer and developer deposits	-	883,155	883,155	-
Other	-	9,450	9,450	-
Note receivable	206,104	525,728	731,832	-
Other assets	208,442	157,178	365,620	111,937
Non-depreciable capital assets	10,634,121	4,793,668	15,427,789	-
Depreciable capital assets (net of accumulated depreciation)	87,483,121	103,388,650	190,871,771	3,394,815
Total Assets	\$130,625,909	129,446,080	260,071,989	3,553,358
<u>Liabilities</u>				
Accounts payable	\$1,969,781	1,609,597	3,579,378	-
Accrued liabilities	1,350,049	524,217	1,874,266	-
Interest payable	136,529	96,756	233,285	15,083
Contracts payable	605,587	346,121	951,708	-
Deferred revenue	9,490,121	-	9,490,121	-
Unearned revenue	29,102	-	29,102	-
Liabilities payable from restricted assets	-	880,143	880,143	-
Long-term liabilities due within one year	2,387,992	2,492,008	4,880,000	55,000
Long-term liabilities due in more than one year	16,338,064	17,450,212	33,788,276	3,895,000
Total Liabilities	32,307,225	23,399,054	55,706,279	3,965,083
<u>Net Assets</u>				
Investments in capital assets, net of related debt	81,028,922	88,240,098	169,269,020	(443,248)
Restricted for:				
Capital projects	3,920,073	-	3,920,073	-
Highways and streets	458,202	-	458,202	-
Law enforcement	10,154	-	10,154	-
Unrestricted	12,901,333	17,806,928	30,708,261	31,523
Total Net Assets	\$98,318,684	106,047,026	204,365,710	(411,725)

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2008

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		Total	Component Unit Industrial Development Fund
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental Activities:								
General government	\$6,657,254	2,855,749	-	1,443,400	(2,358,105)	-	(2,358,105)	-
Public safety:								
Police	8,542,244	1,393,064	35,959	-	(7,113,221)	-	(7,113,221)	-
Fire	6,514,220	-	-	401,580	(6,112,640)	-	(6,112,640)	-
Highways and streets	4,277,621	-	1,012,349	7,182,113	3,916,841	-	3,916,841	-
Recreation	4,202,662	1,350,495	-	171,460	(2,680,707)	-	(2,680,707)	-
Community Development	1,380,316	494,004	-	-	(886,312)	-	(886,312)	-
Stormwater	508,715	22,358	-	-	(486,357)	-	(486,357)	-
Interest expense on long-term debt	669,262	-	-	-	(669,262)	-	(669,262)	-
Total Government Activities	<u>32,752,294</u>	<u>6,115,670</u>	<u>1,048,308</u>	<u>9,198,553</u>	<u>(16,389,763)</u>	<u>-</u>	<u>(16,389,763)</u>	<u>-</u>
Business-type Activities								
Water and Sewer	11,573,972	10,667,269	-	4,973,605	-	4,066,902	4,066,902	-
Natural Gas	20,453,363	20,960,243	-	137,406	-	644,286	644,286	-
Total Business-type Activities	<u>32,027,335</u>	<u>31,627,512</u>	<u>-</u>	<u>5,111,011</u>	<u>-</u>	<u>4,711,188</u>	<u>4,711,188</u>	<u>-</u>
Total Primary Government	<u>\$64,779,629</u>	<u>37,743,182</u>	<u>1,048,308</u>	<u>14,309,564</u>	<u>(16,389,763)</u>	<u>4,711,188</u>	<u>(11,678,575)</u>	<u>-</u>
Component Unit								
Industrial Development Fund	<u>\$311,997</u>	<u>250,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,766)</u>
General Revenues:								
Property taxes and in lieu of tax					\$9,195,425	-	9,195,425	-
Sales taxes					8,187,025	-	8,187,025	-
Unrestricted other locally assessed taxes					1,879,190	-	1,879,190	-
Unrestricted other state shared taxes					2,867,657	-	2,867,657	-
Unrestricted investment earnings					1,058,635	659,593	1,718,228	2,031
Gain on sale of capital assets					23,367	-	23,367	-
Other					104,943	(113,745)	(8,802)	-
Transfers					<u>573,944</u>	<u>(573,944)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>23,890,186</u>	<u>(28,096)</u>	<u>23,862,090</u>	<u>2,031</u>
Change in net assets					7,500,423	4,683,092	12,183,515	(81,735)
Net assets - beginning of year					<u>90,818,261</u>	<u>101,363,934</u>	<u>192,182,195</u>	<u>(329,990)</u>
Net assets - end of year					<u>\$98,318,684</u>	<u>106,047,026</u>	<u>204,365,710</u>	<u>(411,725)</u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2008

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$13,478,080	237,829	4,615,362	18,331,271
Receivables (net of allowance for uncollectibles)				
Taxes	9,846,866	-	-	9,846,866
Due from other governments	2,006,903	649	167,691	2,175,243
Accounts receivable	154,377	-	339	154,716
Due from other funds	3,189,516	4,709	-	3,194,225
Inventory of supplies	34,029	-	30,766	64,795
Note receivable	-	206,104	-	206,104
Prepaid items	-	-	10,341	10,341
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$28,709,771</u>	<u>449,291</u>	<u>4,824,499</u>	<u>33,983,561</u>
 <u>Liabilities and Fund Balances</u>				
Accounts payable	\$308,859	204,094	613,878	1,126,831
Accrued costs	1,278,483	-	71,566	1,350,049
Due to other funds	15,016	2,464,516	729,709	3,209,241
Contracts payable	-	571,825	33,762	605,587
Deferred/unearned revenue	10,731,429	-	86,742	10,818,171
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>12,333,787</u>	<u>3,240,435</u>	<u>1,535,657</u>	<u>17,109,879</u>
 Fund Balance:				
Reserved for prepaid items and inventory	34,029	-	30,766	64,795
Reserved for project	288,612	-	-	288,612
Reserved for notes receivable	-	197,783	-	197,783
Unreserved and undesignated				
General Fund	16,053,343	-	-	16,053,343
Capital Projects Fund	-	(2,988,927)	-	(2,988,927)
Special Revenue Funds	-	-	3,258,076	3,258,076
Total Fund Balances	<u>16,375,984</u>	<u>(2,791,144)</u>	<u>3,288,842</u>	<u>16,873,682</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$28,709,771</u>	<u>449,291</u>	<u>4,824,499</u>	<u>33,983,561</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, 2008

Amounts reported for fund balance - total governmental funds	\$16,873,682
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	98,117,242
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	1,058,547
Property taxes receivable	218,901
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.	776,107
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.	(136,529)
Bond issue costs are amortized over the life of the bonds in the statement of activities.	136,790
Bond premiums are amortized as a component of interest in the statement of activities.	(33,512)
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	(17,054,808)
Compensated absences	(1,637,736)
	<hr/>
Net assets of governmental activities	<u>\$98,318,684</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, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$16,841,348	-	-	16,841,348
Payment in lieu of taxes	2,238,896	-	-	2,238,896
Licenses and permits	1,263,613	-	1,539,626	2,803,239
Intergovernmental	2,925,364	26,525	939,267	3,891,156
Fines and forfeits	1,329,445	-	63,619	1,393,064
Uses of money and property	3,053,008	81,593	1,339,028	4,473,629
Miscellaneous	145,277	-	-	145,277
Total Revenues	27,796,951	108,118	3,881,540	31,786,609
<u>Expenditures</u>				
Current:				
General government	5,955,698	86,667	26,000	6,068,365
Public safety:				
Police	8,206,921	68,433	108,813	8,384,167
Fire	6,235,705	12,628	-	6,248,333
Highways and streets	858,377	22,775	521,092	1,402,244
Recreation	2,263,617	7,030	1,276,822	3,547,469
Community development	1,219,369	29,637	-	1,249,006
Stormwater	-	-	469,609	469,609
Debt service	-	-	1,614,964	1,614,964
Capital outlay	-	10,524,253	34,829	10,559,082
Total Expenditures	24,739,687	10,751,423	4,052,129	39,543,239
Excess (deficiency) revenues over expenditures	3,057,264	(10,643,305)	(170,589)	(7,756,630)
<u>Other Financing Sources (Uses)</u>				
Transfers in	598,944	4,262,166	1,614,964	6,476,074
Transfers out	(2,725,037)	-	(3,177,093)	(5,902,130)
Total Other Financing Source (Uses)	(2,126,093)	4,262,166	(1,562,129)	573,944
Net change in fund balance	931,171	(6,381,139)	(1,732,718)	(7,182,686)
Fund balance, beginning of year	15,444,813	3,589,995	5,021,560	24,056,368
Fund balance, end of year	\$16,375,984	(2,791,144)	3,288,842	16,873,682

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, 2008

Net change in fund balances-total governmental funds: (\$7,182,686)

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	12,002,482
Depreciation expense	(5,098,285)
Basis of capital assets disposed of	(16,966)

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

Property taxes	8,306
Local option sales tax	173,090
State shared taxes	24,809
Contributed capital assets	6,215,527

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	940,516
Amortization of debt related costs	(7,839)
Amortization of debt related premium	3,217

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	1,969
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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	(132,859)
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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)

569,142

Change in net assets of governmental activities

\$7,500,423

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

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

General Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Real estate taxes	\$6,640,600	6,640,600	6,948,223	307,623
Business tax	210,000	210,000	222,870	12,870
Wholesale beer tax	905,000	905,000	1,006,374	101,374
Local option sales tax	7,452,000	7,452,000	8,013,935	561,935
Other	582,000	582,000	649,946	67,946
Total Taxes	15,789,600	15,789,600	16,841,348	1,051,748
Payments in lieu of taxes	2,191,000	2,191,000	2,238,896	47,896
Licenses and Permits	1,237,600	1,237,600	1,263,613	26,013
Intergovernmental Revenues:				
State of Tennessee income tax	70,000	70,000	92,374	22,374
State of Tennessee beer tax	17,500	17,500	18,118	618
State of Tennessee sales tax	2,494,590	2,494,590	2,381,871	(112,719)
Maintenance of state roads	73,500	73,500	72,266	(1,234)
Federal and state grants	780	780	9,434	8,654
Other state and county shared taxes	247,530	247,530	351,301	103,771
Total Intergovernmental Revenues	2,903,900	2,903,900	2,925,364	21,464
Fines and forfeits	1,103,525	1,103,525	1,329,445	225,920
Uses of Property and Money:				
Penalties	32,775	32,775	78,482	45,707
Interest earned	850,000	850,000	747,606	(102,394)
Rent	83,070	83,070	82,640	(430)
Traffic school fees	136,000	136,000	215,817	79,817
Administrative support charges	1,152,997	1,152,997	1,152,997	-
Cemetery revenue	60,000	60,000	62,200	2,200
Recreation fees and community center fees	471,050	471,050	475,024	3,974
Food sales	225,000	225,000	238,242	13,242
Total Uses of Property and Money	3,010,892	3,010,892	3,053,008	42,116
Other	40,500	40,500	145,277	104,777
Total Revenues	26,277,017	26,277,017	27,796,951	1,519,934
Expenditures:				
General Government:				
Current:				
Legislative Board:				
Salaries	36,000	36,000	36,000	-
Benefits and payroll taxes	39,970	39,970	27,186	12,784
Travel	21,100	21,100	7,177	13,923
Other	38,400	38,400	33,556	4,844
Total Legislative Board	135,470	135,470	103,919	31,551

Continued on next page

TOWN OF SMYRNA, TENNESSEE
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual, Continued
General Fund
For the Year Ended June 30, 2008

	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	\$737,650	737,650	674,766	62,884
Benefits and payroll taxes	230,390	230,390	190,612	39,778
Contractual services	76,220	76,220	63,751	12,469
Other	38,445	38,445	34,437	4,008
Total City and General Sessions Court	<u>1,082,705</u>	<u>1,082,705</u>	<u>963,566</u>	<u>119,139</u>
Vehicle Maintenance:				
Salaries	146,550	146,550	144,753	1,797
Benefits and payroll taxes	64,410	64,410	67,933	(3,523)
Other	66,470	66,470	51,213	15,257
Total City Garage	<u>277,430</u>	<u>277,430</u>	<u>263,899</u>	<u>13,531</u>
Codes, Engineering and Planning:				
Salaries	687,410	687,410	669,308	18,102
Benefits and payroll taxes	266,535	266,535	253,993	12,542
Board expenditures	600	600	600	-
Insurance	8,580	8,580	8,580	-
Telephone and utilities	3,125	3,125	3,829	(704)
Supplies	16,975	16,975	22,948	(5,973)
Repairs and maintenance	2,800	2,800	1,586	1,214
Professional services	48,000	48,000	65,074	(17,074)
Other	24,060	24,060	15,840	8,220
Total Codes, Engineering and Planning	<u>1,058,085</u>	<u>1,058,085</u>	<u>1,041,758</u>	<u>16,327</u>
Building and Grounds:				
Salaries	489,330	489,330	418,565	70,765
Benefits and payroll taxes	232,670	232,670	202,102	30,568
Repairs and maintenance	59,500	59,500	75,112	(15,612)
Supplies	32,900	32,900	29,956	2,944
Insurance	11,385	11,385	11,385	-
Cemetery	17,800	17,800	14,197	3,603
Other	1,650	1,650	4,708	(3,058)
Total Building Maintenance	<u>845,235</u>	<u>845,235</u>	<u>756,025</u>	<u>89,210</u>
Finance and Administration:				
Salaries	1,640,820	1,640,820	1,502,905	137,915
Benefits and payroll taxes	610,320	610,320	520,172	90,148
Memberships and testing	34,171	34,171	26,813	7,358
Telephone and utilities	119,555	119,555	189,628	(70,073)
Professional services	367,750	367,750	198,646	169,104
Repairs and maintenance	6,460	6,460	1,186	5,274
Travel	20,475	20,475	20,950	(475)
Supplies	96,610	96,610	73,066	23,544
Insurance	27,075	27,075	26,775	300
Outside services	286,885	286,885	202,065	84,820
Other	105,050	105,050	64,325	40,725
Total Finance and Administration	<u>3,315,171</u>	<u>3,315,171</u>	<u>2,826,531</u>	<u>488,640</u>
Total Current	<u>6,714,096</u>	<u>6,714,096</u>	<u>5,955,698</u>	<u>758,398</u>
Capital Outlay	-	-	-	-
Total General Government	<u>6,714,096</u>	<u>6,714,096</u>	<u>5,955,698</u>	<u>758,398</u>

Continued on next page

TOWN OF SMYRNA, TENNESSEE

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

General Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Public Safety:				
Police Department:				
Current:				
Salaries	\$5,327,880	5,327,880	5,428,929	(101,049)
Benefits and payroll taxes	2,184,230	2,184,230	1,977,304	206,926
Outside services	83,875	83,875	78,754	5,121
Memberships and testing	8,954	8,954	12,072	(3,118)
Telephone	46,071	46,071	50,802	(4,731)
Repairs and maintenance	55,285	55,285	106,721	(51,436)
Travel	54,805	54,805	56,132	(1,327)
Supplies	314,350	354,350	392,618	(38,268)
Insurance	90,420	90,420	90,420	-
Other	9,750	9,750	13,169	(3,419)
Total Current	8,175,620	8,215,620	8,206,921	8,699
Capital Outlay	-	-	-	-
Total Police Department	8,175,620	8,215,620	8,206,921	8,699
Fire Department:				
Current:				
Salaries	4,705,410	4,645,410	4,113,382	532,028
Benefits and payroll taxes	1,763,430	1,763,430	1,506,759	256,671
Memberships and testing	14,175	14,175	12,929	1,246
Telephone and utilities	95,599	95,599	113,933	(18,334)
Repairs and maintenance	75,980	75,980	122,161	(46,181)
Supplies	187,698	187,698	220,254	(32,556)
Insurance	48,100	48,100	48,100	-
Outside services	76,712	76,712	75,031	1,681
Other	30,995	30,995	23,156	7,839
Total Current	6,998,099	6,938,099	6,235,705	702,394
Capital Outlay	-	-	-	-
Total Fire Department	6,998,099	6,938,099	6,235,705	702,394
Total Public Safety	15,173,719	15,153,719	14,442,626	711,093
Highways and Streets:				
Current:				
Salaries	463,160	463,160	360,856	102,304
Benefits and payroll taxes	260,400	260,400	217,699	42,701
Telephone and utilities	22,750	22,750	6,273	16,477
Repairs and maintenance	120,000	120,000	131,574	(11,574)
Supplies	76,800	79,300	90,190	(10,890)
Insurance	16,940	16,940	16,940	-
Outside services	18,000	18,000	16,522	1,478
Other	33,810	33,810	18,323	15,487
Total Current	1,011,860	1,014,360	858,377	155,983
Capital Outlay	-	-	-	-
Total Highways and Streets	1,011,860	1,014,360	858,377	155,983

Continued on next page

TOWN OF SMYRNA, TENNESSEE
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual, Continued
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Recreation:				
Current:				
Salaries	\$1,214,170	1,214,170	1,123,414	90,756
Benefits and payroll taxes	448,346	448,346	395,836	52,510
Memberships and testing	7,383	7,383	7,488	(105)
Telephone and utilities	205,915	205,915	216,508	(10,593)
Repairs and maintenance	118,696	118,696	171,492	(52,796)
Travel	13,880	13,880	11,027	2,853
Outside services	164,402	164,402	147,831	16,571
Recreation programs	22,425	22,425	16,667	5,758
Advertising and promotion	4,700	4,700	2,751	1,949
Supplies	109,606	109,606	131,980	(22,374)
Insurance	24,530	24,530	24,530	-
Rent	12,292	12,292	12,226	66
Other	2,000	2,000	1,867	133
Total Current	<u>2,348,345</u>	<u>2,348,345</u>	<u>2,263,617</u>	<u>84,728</u>
Capital Outlay	-	-	-	-
Total Recreation	<u>2,348,345</u>	<u>2,348,345</u>	<u>2,263,617</u>	<u>84,728</u>
Community Development:				
Current:				
Salaries	354,070	354,070	309,222	44,848
Benefits and payroll taxes	119,330	119,330	118,017	1,313
Telephone and utilities	56,200	56,200	72,965	(16,765)
Repairs and maintenance	13,000	13,000	16,930	(3,930)
Outside services	9,650	9,650	10,189	(539)
Advertising and promotion	2,250	2,250	1,655	595
Food purchase	126,500	126,500	177,630	(51,130)
Supplies	35,150	55,150	40,361	14,789
Insurance	2,200	2,200	2,200	-
Contributions to non-profits	479,993	479,993	464,993	15,000
Other	4,310	4,310	5,207	(897)
Total Current	<u>1,202,653</u>	<u>1,222,653</u>	<u>1,219,369</u>	<u>3,284</u>
Capital Outlay	-	-	-	-
Total Community Development	<u>1,202,653</u>	<u>1,222,653</u>	<u>1,219,369</u>	<u>3,284</u>
Total Expenditures	<u>26,450,673</u>	<u>26,453,173</u>	<u>24,739,687</u>	<u>1,713,486</u>
Excess Revenues Over Expenditures	<u>(173,656)</u>	<u>(176,156)</u>	<u>3,057,264</u>	<u>3,233,420</u>
Other Financing Sources (Uses):				
Transfer to Capital Projects Fund	(1,811,042)	(1,811,042)	(1,452,413)	358,629
Transfer to Debt Service Fund	(1,275,279)	(1,275,279)	(1,272,624)	2,655
Transfer from Gas Fund	159,902	159,902	159,902	-
Transfer from Water and Sewer Fund	414,042	414,042	414,042	-
Transfer from Golf Course Fund	25,000	25,000	25,000	-
Total Other Financing Sources (Uses)	<u>(2,487,377)</u>	<u>(2,487,377)</u>	<u>(2,126,093)</u>	<u>361,284</u>
Net change in fund balance	<u>(2,661,033)</u>	<u>(2,663,533)</u>	<u>931,171</u>	<u>3,594,704</u>
Fund Balance, beginning of year	15,444,813	15,444,813	15,444,813	-
Fund Balance, end of year	<u>\$12,783,780</u>	<u>12,781,280</u>	<u>16,375,984</u>	<u>3,594,704</u>

See accompanying notes to general purpose financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$5,195,919	10,621,894	15,817,813	1,889,559
Cash and cash equivalents - restricted	161,867	611,831	773,698	-
Receivables:				
Utility customers, net of allowance for estimated uncollectible	1,396,826	1,553,235	2,950,061	122,856
Note receivable, current portion	21,851	-	21,851	-
Total Accounts Receivable	1,418,677	1,553,235	2,971,912	122,856
Due from other funds	15,016	1,651	16,667	-
Inventory, at cost	272,969	177,723	450,692	-
Total Current Assets	7,064,448	12,966,334	20,030,782	2,012,415
Noncurrent Assets:				
Restricted Assets:				
Cash	109,457	-	109,457	-
Special assessments and other receivable	9,450	-	9,450	-
Total Noncurrent Restricted Assets	118,907	-	118,907	-
Property, Plant and Equipment	138,469,066	21,365,568	159,834,634	-
Less accumulated depreciation	(41,842,368)	(9,809,948)	(51,652,316)	-
Total Property, Plant and Equipment, Net	96,626,698	11,555,620	108,182,318	-
Other Assets:				
Note receivable, net of current portion	503,877	-	503,877	-
Prepaid insurance	-	-	-	61,311
Bond issuance cost-net of amortization	157,178	-	157,178	-
Total Other Assets	661,055	-	661,055	61,311
Total Noncurrent Assets	97,406,660	11,555,620	108,962,280	61,311
Total Assets	\$104,471,108	24,521,954	128,993,062	2,073,726
<u>Liabilities</u>				
Liabilities:				
Current Liabilities (payable from current assets):				
Accounts payable	\$486,060	1,123,536	1,609,596	-
Accrued expenses	372,720	151,498	524,218	-
Contracts payable	346,121	-	346,121	842,950
Interest payable	96,756	-	96,756	-
Due to other funds	1,651	-	1,651	-
Current maturities of long-term debt	2,492,008	-	2,492,008	-
Total Current Liabilities (payable from current assets)	3,795,316	1,275,034	5,070,350	842,950
Current Liabilities (payable from restricted assets):				
Construction bonds	118,199	-	118,199	-
Contracts payable	109,457	-	109,457	-
Customer deposits and project assistance	43,668	608,819	652,487	-
Total Current Liabilities (payable from restricted assets)	271,324	608,819	880,143	-
Total Current Liabilities	4,066,640	1,883,853	5,950,493	842,950
Noncurrent Liabilities:				
Long-term debt, net of current maturities	17,450,212	-	17,450,212	-
Total Liabilities	21,516,852	1,883,853	23,400,705	842,950
<u>Net Assets</u>				
Invested in capital assets, net of related debt	76,684,478	11,555,620	88,240,098	-
Unrestricted	6,269,778	11,082,481	17,352,259	1,230,776
Total Net Assets	\$82,954,256	22,638,101	105,592,357	1,230,776
ent to reflect the consolidation of internal service fund				
activities related to enterprise funds	451,250	3,419	454,669	-
Net assets of business-type activities	\$83,405,506	22,641,520	106,047,026	-

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, 2008

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
Operating Revenues:				
Services	\$10,477,568	20,804,341	31,281,909	5,996,034
Other	43,748	13,734	57,482	-
Forfeited discounts	145,953	142,168	288,121	-
Total Operating Revenues	10,667,269	20,960,243	31,627,512	5,996,034
Operating Expenses:				
Gas/ water purchases	64,014	17,864,268	17,928,282	-
Salaries	2,320,586	560,013	2,880,599	-
Benefits and payroll taxes	1,047,406	312,770	1,360,176	4,608,720
Travel	5,085	8,270	13,355	-
Outside services	521,383	46,498	567,881	-
Telephone and utilities	1,437,098	28,541	1,465,639	-
Maintenance and repair	538,430	55,189	593,619	27,399
Operating supplies	874,237	139,716	1,013,953	-
Insurance / claims	137,175	94,930	232,105	685,448
Professional services	44,927	66,040	110,967	-
Depreciation and amortization	3,010,748	719,515	3,730,263	-
Administrative support services	691,532	461,465	1,152,997	-
Other	54,683	98,914	153,597	-
Total Operating Expenses	10,747,304	20,456,129	31,203,433	5,321,567
Operating Income (loss)	(80,035)	504,114	424,079	674,467
Non-Operating Revenues (Expenses):				
Interest income	336,584	312,585	649,169	54,424
Gain (loss) on sale of capital assets	(185)	(113,560)	(113,745)	-
Interest expenses	(973,227)	-	(973,227)	-
Total Non-Operating Revenues (Expenses)	(636,828)	199,025	(437,803)	54,424
Net Income (loss) Before Contributions and Transfers	(716,863)	703,139	(13,724)	728,891
Contributions:				
Capital contributions - tap fees	2,537,760	137,406	2,675,166	-
Contributions from developers - non cash	2,435,845	-	2,435,845	-
Transfers out	(414,042)	(159,902)	(573,944)	-
Change in Net Assets	3,842,700	680,643	4,523,343	728,891
Net Assets, Beginning of Year,	79,111,556	21,957,458	101,069,014	501,885
Net Assets, End of Year	\$82,954,256	22,638,101	105,592,357	1,230,776
Change in Net Assets shown above	3,842,700	680,643	4,523,343	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	154,209	5,540	159,749	
Change in net assets of business-type activities	\$3,996,909	686,183	4,683,092	

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
Cash Flows from Operating Activities:				
Cash received from customers	\$10,477,063	20,840,420	31,317,483	-
Cash paid to employees for services	(2,304,037)	(557,205)	(2,861,242)	-
Cash paid to suppliers for goods and services	(4,885,358)	(18,327,915)	(23,213,273)	-
Payments for interfund administrative support services	(691,532)	(461,465)	(1,152,997)	-
Cash received (paid) on interfund payable	(13,388)	(1,651)	(15,039)	-
Cash received on customer deposits	-	59,594	59,594	-
Premiums received	-	-	-	5,996,034
Medical claims and administrative expenses paid	-	-	-	(5,207,864)
Net Cash Provided (Used) by Operating Activities	2,582,748	1,551,778	4,134,526	788,170
Cash Flows from Capital and Related Financing Activities:				
Purchase of property, plant, and equipment	(6,478,430)	(525,529)	(7,003,959)	-
Cash received on note receivable	20,581	-	20,581	-
Cash received (paid) on construction bonds	(56,325)	-	(56,325)	-
Interest paid on debt	(959,005)	-	(959,005)	-
Payments on long-term debt	(2,405,484)	-	(2,405,484)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,878,663)	(525,529)	(10,404,192)	-
Cash Flows from Non-Capital Financing Activities:				
Transfers	(414,042)	(159,902)	(573,944)	-
Contributed equity-from customers	2,539,860	137,406	2,677,266	-
Net Cash Provided (Used) by Non-Capital Financing Activities	2,125,818	(22,496)	2,103,322	-
Cash Flows from Investing Activities:				
Sale of investments	1,875,218	-	1,875,218	-
Interest received on investments	336,584	312,585	649,169	54,424
Net Cash Provided (Used) by Investing Activities	2,211,802	312,585	2,524,387	54,424
Net Increase (Decrease) in Cash	(2,958,295)	1,316,338	(1,641,957)	842,594
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	8,425,538	9,917,387	18,342,925	1,046,965
Cash and Cash Equivalents and Restricted Cash, End of Year	\$5,467,243	11,233,725	16,700,968	1,889,559

Continued on next page

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds, Continued

For the Year Ended June 30, 2008

	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)	(\$80,035)	504,114	424,079	\$674,467
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,010,748	719,515	3,730,263	-
(Increase) decrease in:				
Accounts receivable	(190,206)	(119,823)	(310,029)	(120,356)
Inventory	(138,751)	6,340	(132,411)	-
Prepays	-	-	-	(61,311)
Increase (Decrease) in:				
Accounts payable	(24,204)	365,806	341,602	295,370
Accrued expenses	18,584	17,883	36,467	-
Due to/ Due from Customer deposits	(13,388)	(1,651)	(15,039)	-
	-	59,594	59,594	-
Net Cash Provided (used) for Operating Activities	\$2,582,748	1,551,778	4,134,526	788,170

Supplemental Schedule of Non-Cash Capital Financing Activities

In fiscal 2008, the Town accepted \$2,435,845 in contributed water and sewer lines from developers

In fiscal 2008, the Town liquidated contracts payable in the water and sewer utility fund in the amount of \$776,876 and liquidated contracts payable in the amount of \$67,997 in the natural gas fund related to plant and equipment.

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Fiduciary Net Assets

Pension Fund

June 30, 2008

Assets

Investments, at fair value:

Money market funds	\$234,527
Mutual funds	1,163,648
Certificates of deposit	50,000
U S government securities	1,398,759
Corporate bonds	516,175
Interest receivable	29,317

Total Assets

\$3,392,426

Liabilities

Liabilities

-

Net Assets

Held in Trust for Pension Benefits

3,392,426

Total Net Assets Held in Trust for Pension Benefits

\$3,392,426

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, 2008

<u>Additions</u>	
Contributions - employer	\$262,931
Investment earnings	
Interest, dividends and other investment income (loss)	256,088
Net increase (decrease) in fair value of investments	<u>(249,796)</u>
Net investment earnings	<u>6,292</u>
 Total additions	 <u>269,223</u>
<u>Deductions</u>	
Pension benefits	<u>105,300</u>
 Total deductions	 <u>105,300</u>
 Change in net assets	 163,923
 Net assets held in trust for pension benefits beginning of year	 <u>3,228,503</u>
 Net assets held in trust for pension benefits end of year	 <u><u>\$3,392,426</u></u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2008

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 in fiscal year 2005 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 is 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, 2008

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 judgments 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 as well as property insurance for Town assets.

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, 2008

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 non-operating 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 non-operating 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 are 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.

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.

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.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 7.5 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 no 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 non-current portion of a note receivable and debt issue costs in the business activities.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Claims Payable

Medical, workers' compensation, and liability 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. 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 purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

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 per \$100 of assessed valuation for tax years 2008 and 2007. Payments may be made during the period from October 1 through February 28. Current tax collections of \$6,757,556 for the fiscal year ended June 30, 2008 were approximately 97 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 \$9,825,366 which is net of an allowance for doubtful collections of \$21,500. Of this receivable amount, \$286,224 represents prior year property taxes, \$7,203,228 represents the estimated net realizable 2008 property taxes and \$2,238,800 represents estimated net realizable 2008 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 \$9,846,866 with an offsetting deferred revenue for amounts not available at June 30, 2008. The additional amount included in taxes receivable reported in the statements of \$118,614 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, 2008 there were no amounts exposed to custodial credit risk.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

2) DEPOSITS AND INVESTMENTS (Continued)

Investments

At June 30, 2008, 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:			
Local Government Investment Pool	\$ <u>18,904,710</u>	N/A	N/A
 Liquid investments (Cash equivalents)	 (18,904,710) \$ <u> -</u>		
Fiduciary Fund-Pension Fund:			
Government Securities:			
Federal Home Loan Bank	\$903,448	2,138	AAA
Federal Farm Credit Bank	296,749	2,590	AAA
FHLMC	25,008	1,007	AAA
Federal National Mortgage	173,554	3,298	AAA
Corporate Obligations	516,175	2,034	AA-BBB
Money Market Fund	234,527	N/A	N/A
Mutual Funds Equity	1,163,648	N/A	N/A
Certificate of Deposit	<u>50,000</u>	36	N/A
	<u>\$ 3,363,109</u>		

Due to recent volatility in the market, investments held in the Pension Fund decreased in market value approximately \$465,000 from year end to report date. This market value decrease has not been recognized in the report since it is expected to be a temporary fluctuation.

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, 2008, the Town had two investments in an organization that represents 5 per cent or more of total investments.

Federal Home Loan Bank	\$ 903,448
Federal Farm Credit Bank	296,749

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

3) CAPITAL ASSETS

Governmental Activities

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance <u>July 1, 2007</u>	<u>Increases</u>	Reclasses & <u>Decreases</u>	Balance <u>June 30, 2008</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 4,221,586	418,090	-	4,639,676
Construction in progress	8,770,781	8,664,030	(11,440,366)	5,994,445
<u>Capital assets being depreciated:</u>				
Buildings	15,301,819	118,154	7,239,456	22,659,429
Improvements other than buildings	13,572,494	1,227,893	85,294	14,885,681
Equipment	12,435,343	1,347,975	180,254	13,963,572
Infrastructure	<u>75,502,900</u>	<u>6,441,867</u>	<u>3,518,823</u>	<u>85,463,590</u>
Total	<u>129,804,923</u>	<u>18,218,009</u>	<u>(416,539)</u>	<u>147,606,393</u>
 <u>Accumulated Depreciation</u>				
Buildings	\$ 10,084,641	509,982	-	10,594,623
Improvements	2,357,193	475,612	-	2,832,805
Equipment	10,081,070	1,354,517	(399,573)	11,036,014
Infrastructure	<u>22,267,535</u>	<u>2,758,174</u>	<u>-</u>	<u>25,025,709</u>
Total accumulated depreciation	<u>44,790,439</u>	<u>5,098,285</u>	<u>(399,573)</u>	<u>49,489,151</u>
Governmental activities capital assets-net	\$ <u>85,014,484</u>			<u>98,117,242</u>

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

General Government	
Public Safety	\$ 493,751
Police	376,765
Fire	343,321
Highways and streets	2,982,479
Stormwater	6,486
Recreation	784,089
Community development	<u>111,394</u>
Total	\$ <u>5,098,285</u>

Current year additions include improvements donated from developers of \$6,215,527 and \$1,443,400 in donated land and building.

Business-Type Activities:

Capital assets of the Enterprise Funds consisted of the following at June 30, 2008:

	Balance <u>July 1, 2007</u>	Reclasses & <u>Increases</u>	Reclasses & <u>Decreases</u>	Balance <u>June 30, 2008</u>	Water and <u>Sewer Fund</u>	Gas Fund	Component <u>Unit</u>
<u>Capital assets not being depreciated</u>							
Land and land rights	\$ 1,665,090	-	-	1,665,090	1,457,106	207,984	-
Construction in progress	4,912,748	2,877,557	(4,661,727)	3,128,578	3,128,578	-	-
<u>Capital assets being depreciated</u>							
Utility plant and buildings	138,407,256	9,946,924	-	148,354,179	130,065,432	18,288,747	3,855,320
Machinery and equipment	6,402,573	329,200	(44,986)	6,686,787	3,817,950	2,868,837	-
<u>Less accumulated depreciation</u>							
Utility plant and buildings	(42,993,479)	(3,273,900)	-	(46,267,379)	(39,021,855)	(7,245,525)	(460,505)
Machinery and equipment	(4,985,603)	(439,322)	39,988	(5,384,937)	(2,820,513)	(2,564,423)	-
Total	\$ <u>103,408,585</u>	<u>9,440,459</u>	<u>(4,666,725)</u>	<u>108,182,318</u>	<u>96,626,698</u>	<u>11,555,620</u>	<u>3,394,815</u>
Current year depreciation					<u>2,993,707</u>	<u>719,515</u>	<u>128,510</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

4) RECEIVABLES AND DEFERRED REVENUE

A summary of receivables at June 30, 2008 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>	<u>Internal Service Fund</u>	
Property taxes	\$ 7,489,450	-	-	-	-	-	7,489,450
Other taxes & in lieu taxes	2,357,415	-	-	-	-	-	2,357,415
Grants receivable	3,722	-	-	-	-	-	3,722
Customer	154,378	-	1,432,483	1,625,630	339	122,856	3,286,510
Other governments	2,003,181	649	-	-	167,691	-	2,171,521
Less allowance	<u>(21,500)</u>	<u>-</u>	<u>(35,657)</u>	<u>(72,395)</u>	<u>-</u>	<u>-</u>	<u>(129,552)</u>
	<u>\$ 11,986,646</u>	<u>649</u>	<u>1,396,826</u>	<u>1,553,235</u>	<u>168,030</u>	<u>122,856</u>	<u>15,228,242</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 \$206,104. The note accrues interest at 4.5% and is repayable in monthly installments of \$1,452 through June 2025. The non-current 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 \$525,728, related to a construction project. The note is repayable in monthly installments of \$4,400 including interest at 6% over seventeen years.

Deferred and unearned revenue consists of amounts that are either unearned or unavailable to liquidate liabilities of the current period. At June 30, 2008 the components of deferred revenue were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes (unavailable)	\$ 7,203,228	7,203,228
Delinquent property taxes (unavailable)	-	240,400
Unlevied in lieu of taxes (unavailable)	2,238,800	2,238,800
State and county shared taxes (unavailable)	48,093	1,106,641
Other (unearned)	<u>29,102</u>	<u>29,102</u>
	<u>\$ 9,519,223</u>	<u>10,818,171</u>

5) RESTRICTED ASSETS

A summary of restricted assets at June 30, 2008 is as follows:

	<u>Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Cash	\$ 271,324	611,831	883,155
Special assessments and other receivable	<u>9,450</u>	<u>-</u>	<u>9,450</u>
Total	<u>\$ 280,774</u>	<u>611,831</u>	<u>892,605</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)

June 30, 2008

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. Service of this debt is paid from the General Fund and State Street Aid Fund (nonmajor fund).

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, 2008:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2008</u>	Payable Within <u>One Year</u>
Governmental Activities:					
General obligation debt	\$17,995,324	-	940,516	17,054,808	972,992
Compensated absences	<u>1,504,877</u>	<u>1,474,284</u>	<u>1,341,425</u>	<u>1,637,736</u>	<u>1,415,000</u>
Total	19,500,201	<u>1,474,284</u>	<u>2,281,941</u>	18,692,544	<u>2,387,992</u>
 Bond Premium	 <u>36,729</u>	 <u>-</u>	 <u>3,217</u>	 <u>33,512</u>	
	<u>\$19,536,930</u>			<u>18,726,056</u>	
Business-type Activities:					
Revenue and tax bonds	22,414,676	<u>-</u>	<u>2,405,484</u>	20,009,192	<u>2,492,008</u>
Deferred amount on refunding	<u>(100,458)</u>			<u>(66,972)</u>	
	<u>\$22,314, 218</u>			<u>19,942,220</u>	

Long-term debt payable at June 30, 2008 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.	\$ 2,026,808
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.	828,000
2005 General Obligation Bonds (\$5,000,000) due in annual installments through April 2020 at interest rates from 3.65% to 4.25%.	4,800,000
2006 General Obligation Bonds (\$9,500,000) due in annual installments through June 2022 at interest rates from 3.65% to 3.875%.	<u>9,400,000</u>
	<u>\$ 17,054,808</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

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.	\$	4,819,192
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.		3,035,000
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%.		3,380,000
2004 Water and Sewer Revenue and Tax Bonds (\$10,000,000) due in annual installments through May 2024 at varying levels of interest.		<u>8,775,000</u>
Total Business-type Activities	\$	<u>20,009,192</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>3,950,000</u>
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The annual requirements to amortize all bonds and notes outstanding as of June 30, 2008 including interest payments are as follows:

Year	Governmental Activities	Business-type Activities	Interest	Primary Government Total	Component Unit
2009	\$ 972,992	2,492,008	1,397,693	4,862,693	228,075
2010	1,057,356	2,580,644	1,255,199	4,893,199	226,762
2011	1,054,609	2,701,391	1,097,395	4,853,395	230,250
2012	1,099,751	1,829,249	959,496	3,888,496	228,600
2013	1,145,100	1,920,900	834,860	3,900,860	231,725
2014-2018	6,600,000	4,585,000	2,774,898	13,959,898	1,241,095
2019-2023	5,125,000	3,175,000	861,665	9,161,665	1,384,235
2024-2028	-	725,000	21,750	746,750	1,422,079
2029-2033	-	-	-	-	1,467,411
2034	-	-	-	-	576,671
Totals	<u>\$17,054,808</u>	<u>20,009,192</u>	<u>9,202,956</u>	<u>46,266,956</u>	<u>7,236,903</u>

Refundings

The amount of defeased bonds outstanding from prior years' refundings is \$3,035,000.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

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 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Membership Data

1.	Inactive Plan Participants:	
	a.) Retirees and Beneficiaries Currently Receiving Benefits	13
	b.) Terminated Employees Entitled to Deferred Benefits	<u>11</u>
	c.) Total	<u>24</u>
2.	Active Plan Participants:	
	a.) Vested (Fully and Partially)	36
	b.) Non-vested	<u>-</u>
	c.) Total	<u>36</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)

June 30, 2008

7) PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)

Schedule of funding progress:

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)-see Note 1	Unfunded AAL (UAAL)	Annual Funded Ratio	Annual Covered Payroll	UAAAL as a % of Covered
Date	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
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%
07/1/06	2,833,204	3,564,593	731,389	79.5%	1,526,635	47.9%
07/1/07	3,228,503	4,322,319	1,093,816	74.7%	1,666,728	65.63%

Notes:

1. The actuarial cost method was changed to the Projected Unit Credit method effective July 1, 1999. This method calculates an Actuarial Accrued Liability (AAL). Prior to July 1, 1999, the plan used the Frozen Entry Age actuarial cost method, which does not independently calculate the (AAL). The amounts for AAL for years 1987-1998 are the unfunded Frozen AAL plus the Actuarial Value of Assets on the actuarial valuation date.
2. The Town's funding policy is to contribute to the amounts calculated under the actuarial cost method used to calculate the annual required contribution. Effective July 1, 1999, the cost method is the Projected Unit Credit method with a 25-year level dollar amortization of the unfunded liability. Prior to July 1, 1999, the Town's contribution policy was to amortize the unfunded AAL over 25 years (level dollar basis) (closed basis).
3. Actuarial assumptions have been modified periodically to reflect actual plan experience and expectations regarding future events. The most recent assumption revision was effective July 1, 2007 and changed the salary scale assumption.
4. The July 1, 2007 actuarial valuation data is displayed for information purposes only, since it was available at the time this report was prepared; however, this data is not necessary for the June 30, 2007 disclosure.
5. The last plan amendment was effective July 1, 2002, and it had no impact on the liabilities of the plan.

Schedule of Employer Contributions

<u>Fiscal Year End</u>	<u>Required Contribution</u>	<u>Annual Percentage Contributed</u>
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%
2007	194,816	100.00%
2008	262,931	100.00%

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

7) PENSION PLAN AND DEFERRED COMPENSATION 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. Prior to July 1, 2005.
From July 1, 2005 to July 1, 2007, 4.5% annual increase to age 85.
Effective July 1, 2007, 6% 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 on a closed basis.
Prior to July 1, 1999, Frozen Entry Age, with funding of frozen supplemental liability over 25 years.

Asset Valuation Method

Market Value.
Prior to July 1, 1999, mean of book and market value, within 20% of 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 \$759,601 and the employees contributed \$776,947. 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)

June 30, 2008

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 2008, the Town paid \$132,240 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 2008, the Town paid \$11,292 in rent to the Airport Authority.

The Town has entered into two operating leases for golf course equipment, with annual payments of \$24,768 and \$24,908 through 2010 and 2009 respectively. The equipment can be purchased at fair market value at end of lease. Total lease expense for 2008 was \$49,676.

The Town has a commitment with the Army Corps of Engineers to reimburse the Corps for water storage operation and maintenance costs. These costs will be based on 1.313% of the Corps' actual costs. In 2008 the Town paid \$13,463.

Contracts:

At June 30, 2008, the Town had approximately \$6,051,074 in general government construction projects in process which were 72% complete. The Town also had \$4,950,444 in water and sewer projects which were 58% 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 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)

June 30, 2008

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, 2008, the Authority had net assets of \$31,232,284. Net operating losses for the 2008 and 2007 fiscal years were \$1,360,936 and \$1,386,152 respectively. During the year, the Town of Smyrna paid a total of \$143,532 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 originally loaned the Authority \$497,784 in 1999 and increased the loan amount by \$285,879 in fiscal year 2007. The loan is being repaid in monthly installments of \$4,400 for approximately seventeen years. Interest accrues at 6% and the balance is \$525,728.

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, 2008. The composition of interfund balances at June 30, 2008 were as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$3,189,516	General Fund	\$ 15,016
Capital Projects Fund	4,709	Capital Projects Fund	2,464,516
Water and Sewer Fund	15,016	Golf Course Fund	250,000
Gas Fund	1,651	Impact Fee Fund	4,709
		Stormwater Fund	475,000
		Water and Sewer Fund	1,651

Internal balances also include \$454,669 related to the consolidation of the internal service fund.

Interfund transfers for the year ended June 30, 2008 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

The Interfund payable from the Capital Projects Fund to the General Fund is expected to be liquidated in the next fiscal year when a bond issue is planned. The interfund payable from the Stormwater Fund to the General Fund will be liquidated form Stormwater Fees which began July 1, 2008.

	<u>Transfer In:</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental</u>	
Transfer Out:				
Gas Fund	\$ 159,902	-	-	159,902
Water and Sewer Fund	414,042	-	-	414,042
General Fund	-	1,452,413	1,272,624	2,725,037
Nonmajor Governmental Funds	<u>25,000</u>	<u>2,809,753</u>	<u>342,340</u>	<u>3,177,093</u>
Totals	\$ <u>598,944</u>	<u>4,262,166</u>	<u>1,614,964</u>	<u>6,476,074</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

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 \$7,955 and \$20,581 plus interest respectively.

12) MAJOR CUSTOMER

The Town supplies water, sewer and natural gas services to a large manufacturing company. During the fiscal year ended June 30, 2008, services to this company accounted for the following percentages of total revenues of the water, sewer and natural gas fund customer revenues.

Gas Fund	39.3%
Water and Sewer Fund	10.8%

13) RISK MANAGEMENT

The Town has chosen to establish the Self Insurance Fund (internal service fund) for risks associated with the employees' health insurance plan, workers' compensation insurance coverage and liability risks. The fund is accounted for as an internal service fund where assets are set aside for claim settlements.

Employee Health Insurance Plan

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.

Workers' Compensation Insurance Plan

During the year, the Town opted to self insure its workers' compensation claims up to a limit of \$150,000 per claim. The Town obtained commercial insurance for claims beyond the noted limit. The maximum liability the Town can incur is \$697,500 for all workers' compensation and liability claims during the policy year.

Liability Insurance Plan

The Town is self insured to a limit of \$50,000 per claim for liability claims and \$25,000 per claim for property and crime claims. The Town obtained commercial insurance for claims beyond the above noted amounts. The maximum liability the Town can incur is \$697,500 for all workers' compensation and liability claims during the policy year.

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 but it is the best estimate based on credible information. For the government-wide financial statements the activity and assets and liabilities of the fund have been allocated to the participating funds.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

13) RISK MANAGEMENT, Continued

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>
2005-2006	\$ 203,961	3,374,072	(3,152, 821)	425,212
2006-2007	425,212	4,183,457	(4,061,089)	547,580
2007-2008	547,580	4,584,977	(4,289,607)	842,950*

*Medical and workers' compensation claims: \$741,293; Liability claims: \$101,657.

Claims payable are significantly increased due to full year implementation of workers' compensation and casualty plans.

The Town continues to carry commercial insurance for all other risks of loss, including 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

As a retirement incentive for one employee, the Town implemented a retiree supplemental health insurance plan whereby the Town pays this employee's cost of the Town health plan. The Town is funding the plan on a pay as you go basis through the medical insurance fund. The Town paid \$13,848 for coverage of this retired employee during the year. No other employees will ever be eligible for this plan.

15) SUBSEQUENT EVENTS

Subsequent to year end the Town settled with the US Army Corps of Engineers regarding the assessment for water storage. The Town had agreed to pay \$2,350,000 for water storage which will be paid for from existing reserves.

16) FUND DEFICIT

The Capital Projects Fund ended the fiscal year with a fund deficit of \$2,791,144. The Golf Course Fund, a nonmajor governmental fund ended the fiscal year with a fund deficit of \$244,906. The Stormwater Fund, a nonmajor governmental fund ended the fiscal year with a fund deficit of \$479,327.

The Capital Projects Fund deficit is expected to be funded by a bond issue in the next fiscal year and the Stormwater Fund deficit will be funded by future stormwater fees, however the ultimate responsibility of any deficit is the General Fund.

The component unit, Industrial Development Fund, ended the fiscal year with a net asset deficit of \$141,725. 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:

2009	\$	228,075
2010		226,762
2011		230,250
2012		228,600
2013		231,725
thereafter		<u>6,091,491</u>
	\$	<u>7,236,903</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2008

17) **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 \$2,500 and the Capital Projects Funds expenditure budget was increased by \$98,300. Nonmajor governmental fund expenditures budgets were increased by \$86,000.

**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.

Stormwater Fund – This fund is used to account for the collection of fees restricted for improvements related to stormwater drainage and related projects.

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, 2008

Assets	Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
	Drug Fund	State Street Aid Fund	Golf Course Fund	Impact Fee Fund	Stormwater Fund		
Cash in bank	\$9,476	348,419	36,489	4,187,732	33,246	-	4,615,362
Due from other governments	806	166,885	-	-	-	-	167,691
Receivables	-	-	339	-	-	-	339
Prepaid items	-	-	10,341	-	-	-	10,341
Inventory	-	-	30,766	-	-	-	30,766
Total Assets	\$10,282	515,304	77,935	4,187,732	33,246	-	4,824,499
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$128	57,102	10,652	517,800	28,196	-	613,878
Accrued liabilities	-	-	62,189	-	9,377	-	71,566
Contract payable	-	-	-	33,762	-	-	33,762
Due to other funds	-	-	250,000	4,709	475,000	-	729,709
Deferred revenue	-	86,742	-	-	-	-	86,742
Total Liabilities	128	143,844	322,841	556,271	512,573	-	1,535,657
Fund balance:							
Reserved for inventory and prepaids	-	-	30,766	-	-	-	30,766
Unreserved, undesignated	10,154	371,460	(275,672)	3,631,461	(479,327)	-	3,258,076
Total Fund Balance	10,154	371,460	(244,906)	3,631,461	(479,327)	-	3,288,842
Total Liabilities and Fund Balance	\$10,282	515,304	77,935	4,187,732	33,246	-	4,824,499

TOWN OF SMYRNA, TENNESSEE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2008

	Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
	Drug Fund	State Street Aid Fund	Golf Course Fund	Impact Fee Fund	Stormwater Fund		
Revenues:							
Intergovernmental:							
Gasoline tax and inspection fees	\$ -	939,267	-	-	-	-	939,267
Total Intergovernmental	-	939,267	-	-	-	-	939,267
Licenses and permits	-	-	-	1,539,626	-	-	1,539,626
Fines, forfeitures and seizures	63,619	-	-	-	-	-	63,619
Uses of Money and Property:							
Interest	662	11,646	-	172,863	266	-	185,437
Golf fees, stormwater fees, rental, and sales	-	-	1,131,233	-	22,358	-	1,153,591
Total Uses of Money and Property	662	11,646	1,131,233	172,863	22,624	-	1,339,028
Total Revenues	64,281	950,913	1,131,233	1,712,489	22,624	-	3,881,540
Expenditures:							
Current:							
General government	-	-	-	26,000	-	-	26,000
Drug enforcement	108,813	-	-	-	-	-	108,813
Recreation and culture	-	-	1,276,822	-	-	-	1,276,822
Stormwater	-	-	-	-	469,609	-	469,609
Highways and streets	-	521,092	-	-	-	-	521,092
Total Current	108,813	521,092	1,276,822	26,000	469,609	-	2,402,336
Debt service	-	-	-	-	-	1,614,964	1,614,964
Capital outlay	34,829	-	-	-	-	-	34,829
Total Expenditures	143,642	521,092	1,276,822	26,000	469,609	1,614,964	4,052,129
Excess (deficiency) of revenues over expenditures	(79,361)	429,821	(145,589)	1,686,489	(446,985)	(1,614,964)	(170,589)
Other Financing Sources (Uses):							
Transfer to Debt Service Fund	-	(342,340)	-	-	-	-	(342,340)
Transfer from General Fund	-	-	-	-	-	1,272,624	1,272,624
Transfer from State Street Aid Fund	-	-	-	-	-	342,340	342,340
Transfer to Capital Projects Fund	-	-	(50,296)	(2,727,115)	(32,342)	-	(2,809,753)
Transfer to General Fund	-	-	(25,000)	-	-	-	(25,000)
Total Other Financing Sources (Uses)	-	(342,340)	(75,296)	(2,727,115)	(32,342)	1,614,964	(1,562,129)
Net change in fund balance	(79,361)	87,481	(220,885)	(1,040,626)	(479,327)	-	(1,732,718)
Fund balance, beginning of year	89,515	283,979	(24,021)	4,672,087	-	-	5,021,560
Fund balance, end of year	\$10,154	371,460	(244,906)	3,631,461	(479,327)	-	3,288,842

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines forfeitures and seizures	\$47,000	63,000	63,619	619
Interest	450	450	662	212
Total Revenue	<u>47,450</u>	<u>63,450</u>	<u>64,281</u>	<u>831</u>
Expenditures:				
Current:				
Miscellaneous:				
Drug enforcement	59,000	129,000	108,813	20,187
Total Current	<u>59,000</u>	<u>129,000</u>	<u>108,813</u>	<u>20,187</u>
Capital outlay	<u>-</u>	<u>15,000</u>	<u>34,829</u>	<u>(19,829)</u>
Total Expenditures	<u>59,000</u>	<u>144,000</u>	<u>143,642</u>	<u>358</u>
Excess (deficiency) of revenues over expenditures	<u>(11,550)</u>	<u>(80,550)</u>	<u>(79,361)</u>	<u>1,189</u>
Net change in fund balance	<u>(11,550)</u>	<u>(80,550)</u>	<u>(79,361)</u>	<u>1,189</u>
Fund balance, beginning of year	<u>89,515</u>	<u>89,515</u>	<u>89,515</u>	<u>-</u>
Fund balance, end of year	<u><u>\$77,965</u></u>	<u><u>8,965</u></u>	<u><u>10,154</u></u>	<u><u>1,189</u></u>

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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
State gasoline and motor fuel tax and fees	\$935,000	935,000	939,267	4,267
Uses of Money and Property:				
Interest	8,000	8,000	11,646	3,646
Total Revenues	943,000	943,000	950,913	7,913
Expenditures:				
Current:				
Street maintenance - repairs	435,000	435,000	128,924	306,076
Lighting	260,000	260,000	330,688	(70,688)
Signals	50,000	50,000	61,480	(11,480)
Total Current	745,000	745,000	521,092	223,908
Capital outlay	50,000	50,000	-	50,000
Total Expenditures	795,000	795,000	521,092	273,908
Excess (deficiency) of revenues over expenditures	148,000	148,000	429,821	281,821
Other Financing Sources (Uses):				
Transfer to Debt Service Fund	(345,067)	(345,067)	(342,340)	2,727
Net change in fund balance	(197,067)	(197,067)	87,481	284,548
Fund balance, beginning of year	283,979	283,979	283,979	-
Fund balance, end of year	\$86,912	86,912	371,460	284,548

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Uses of money and property:				
Course fees	\$719,500	719,500	647,853	(71,647)
Snack bar sales	155,000	155,000	129,054	(25,946)
Golf shop sales	110,000	110,000	72,490	(37,510)
Cart and locker rentals	263,725	263,725	271,457	7,732
Other	11,000	11,000	10,379	(621)
Total Revenues	1,259,225	1,259,225	1,131,233	(127,992)
Expenditures:				
Recreation and culture:				
Current:				
Salaries	647,700	647,700	546,354	101,346
Benefits and payroll taxes	273,940	273,940	206,782	67,158
Memberships and testing	3,705	3,705	4,445	(740)
Telephone and utilities	29,000	29,000	39,982	(10,982)
Repairs and maintenance	39,000	39,000	35,305	3,695
Outside services	13,637	13,637	12,068	1,569
Supplies	33,975	33,975	39,188	(5,213)
Snack bar resale items	75,000	75,000	76,472	(1,472)
Golf resale items	75,000	75,000	48,840	26,160
Chemicals	55,000	55,000	59,398	(4,398)
Insurance	8,800	8,800	8,800	-
Land and equipment rental	197,741	197,741	197,942	(201)
Other	3,175	3,175	1,246	1,929
Total Current	1,455,673	1,455,673	1,276,822	178,851
Capital Outlay	-	-	-	-
Total Expenditures	1,455,673	1,455,673	1,276,822	178,851
Excess (deficiency) of revenues over expenditures	(196,448)	(196,448)	(145,589)	50,859
Other Financing Sources (Uses):				
Transfer to General Fund	(25,000)	(25,000)	(25,000)	-
Transfer to Capital Projects Fund	(67,000)	(67,000)	(50,296)	16,704
Total Other Financing Sources (Uses)	(92,000)	(92,000)	(75,296)	16,704
Net change in fund balance	(288,448)	(288,448)	(220,885)	67,563
Fund balance, beginning of year	(24,021)	(24,021)	(24,021)	-
Fund balance, end of year	(\$312,469)	(312,469)	(244,906)	67,563

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, 2008

	Budgeted Amounts		Actual	Variance with
Revenues:	Original	Final	Amounts	Final Budget Positive (Negative)
Licenses and permits	\$1,920,500	1,920,500	1,539,626	(380,874)
Uses of Money and Property:				
Interest	140,000	140,000	172,863	32,863
Total Revenue	2,060,500	2,060,500	1,712,489	(348,011)
Expenditures:	25,000	26,000	26,000	-
Total Expenditures	25,000	26,000	26,000	-
Excess (deficiency) of revenues over expenditures	2,035,500	2,034,500	1,686,489	(348,011)
Other Financing Sources (Uses):				
Transfers to Capital Project Fund	(4,657,124)	(4,657,124)	(2,727,115)	1,930,009
Total Other Financing Sources (Uses)	(4,657,124)	(4,657,124)	(2,727,115)	1,930,009
Net change in fund balance	(2,621,624)	(2,622,624)	(1,040,626)	1,581,998
Fund balance, beginning of year	3,918,615	3,918,615	4,672,087	-
Fund balance, end of year	\$1,296,991	1,295,991	3,631,461	1,581,998

TOWN OF SMYRNA, TENNESSEE

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

Stormwater Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
Revenues:	Original	Final	Amounts	Final Budget Positive (Negative)
Uses of Money and Property:				
Interest	\$500	500	266	(234)
Fees	327,000	327,000	22,358	(304,642)
Total Revenue	327,500	327,500	22,624	(304,876)
Expenditures:				
Stormwater:				
Salaries	218,490	218,490	224,591	(6,101)
Benefits and payroll taxes	107,050	107,050	92,088	14,962
Memberships and registrations	3,100	3,100	2,918	182
Telephone	540	540	398	142
Supplies	4,050	4,050	4,860	(810)
Professional services	125,200	125,200	135,036	(9,836)
Other	15,900	15,900	9,718	6,182
Total Expenditures	474,330	474,330	469,609	4,721
Excess (deficiency) of revenues over expenditures	(146,830)	(146,830)	(446,985)	(300,155)
Other Financing Sources (Uses):				
Transfers from General Fund	285,830	285,830	-	(285,830)
Transfers to Capital Project Fund	(139,000)	(139,000)	(32,342)	106,658
Total Other Financing Sources (Uses)	146,830	146,830	(32,342)	(179,172)
Net change in fund balance	-	-	(479,327)	(479,327)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	-	-	(479,327)	(479,327)

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental :				
Grants - state and federal	\$1,400,000	1,400,000	26,525	(1,373,475)
	<u>1,400,000</u>	<u>1,400,000</u>	<u>26,525</u>	<u>(1,373,475)</u>
Uses of Money and Property:				
Interest	-	-	81,593	81,593
Total Revenue	<u>1,400,000</u>	<u>1,400,000</u>	<u>108,118</u>	<u>(1,291,882)</u>
Expenditures:				
Recreation and Culture:				
Current				
Supplies	-	-	7,030	(7,030)
Capital outlay	3,930,708	4,029,008	851,364	3,177,644
Community Development:				
Current				
Supplies	-	-	29,637	(29,637)
Capital outlay	125,450	125,450	95,093	30,357
Highways and Streets:				
Current				
Supplies	-	-	22,775	(22,775)
Capital outlay	10,991,290	10,991,290	5,361,266	5,630,024
Public Safety:				
Current				
Supplies - fire	-	-	12,628	(12,628)
Supplies - police	-	-	68,433	(68,433)
Capital outlay - fire	2,931,440	2,931,440	1,724,891	1,206,549
Capital outlay - police	628,053	628,053	534,550	93,503
Stormwater				
Current				
Supplies	-	-	-	-
Capital outlay	139,000	139,000	32,342	106,658
General Government:				
Current				
Supplies	-	-	86,667	(86,667)
Capital outlay	5,749,700	5,749,700	1,924,747	3,824,953
Total Expenditures	<u>24,495,641</u>	<u>24,593,941</u>	<u>10,751,423</u>	<u>13,842,518</u>
Excess (deficiency) of revenues over expenditures	<u>(23,095,641)</u>	<u>(23,193,941)</u>	<u>(10,643,305)</u>	<u>12,550,636</u>
Other Financing Sources:				
General obligation bond issuance	16,422,500	16,250,800	-	(16,250,800)
Transfers from Golf Course Fund	67,000	67,000	50,296	(16,704)
Transfers from Impact Fee Fund	4,657,124	4,657,124	2,727,115	(1,930,009)
Transfers from Stormwater Fund	139,000	139,000	32,342	(106,658)
Transfers from General Fund	1,810,017	1,810,017	1,452,413	(357,604)
Total Other Financing Sources	<u>23,095,641</u>	<u>22,923,941</u>	<u>4,262,166</u>	<u>(18,661,775)</u>
Net change in fund balance	<u>-</u>	<u>(270,000)</u>	<u>(6,381,139)</u>	<u>(6,111,139)</u>
Fund balance, beginning of year	<u>3,589,995</u>	<u>3,589,995</u>	<u>3,589,995</u>	<u>-</u>
Fund balance, end of year	<u>\$3,589,995</u>	<u>3,319,995</u>	<u>(2,791,144)</u>	<u>(6,111,139)</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Cash Flow

Proprietary Fund Type - Component Unit

Industrial Development Fund

For the Year Ended June 30, 2008

Cash Flows from Operating Activities:	
Cash received from customers	\$227,400
Net Cash Provided (Used) by Operating Activities	<u>227,400</u>
Cash Flows from Capital and Related Financing Activities:	
Interest paid on debt	(178,075)
Payments on long-term debt	<u>(50,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(228,075)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>2,031</u>
Net Cash Provided (Used) by Investing Activities	<u>2,031</u>
Net Increase (Decrease) in Cash	1,356
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>45,250</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u><u>\$46,606</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>	
Operating income (loss)	\$94,500
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	<u>132,900</u>
Net Cash Provided (used) for Operating Activities	<u><u>\$227,400</u></u>

TOWN OF SMYRNA, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2008

Function and Activity	Land	Buildings & Improvements	Improvements Other Than Buildings	Equipment	Infrastructure	Construction In Progress	Total
General government	\$1,575,588	5,615,246	718,846	2,747,549	169,920	18,311	10,845,460
Public safety:							
Police	216,060	3,624,245	-	3,453,388	-	-	7,293,693
Fire	155,690	4,911,366	74,632	3,273,143	-	-	8,414,831
Highways and streets	536,896	169,247	1,734,971	1,859,733	84,114,480	5,694,662	94,109,989
Stormwater	-	-	-	32,342	-	-	32,342
Recreation	2,155,442	5,054,600	12,357,232	2,531,718	1,179,190	281,472	23,559,654
Community development	-	3,284,725	-	65,699	-	-	3,350,424
Total governmental capital assets	<u>\$4,639,676</u>	<u>22,659,429</u>	<u>14,885,681</u>	<u>13,963,572</u>	<u>85,463,590</u>	<u>5,994,445</u>	<u>147,606,393</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, 2008

Function and Activity	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
General government	\$7,527,002	3,346,694	28,236	10,845,460
Public safety:				
Police	7,024,017	569,379	299,703	7,293,693
Fire	6,689,940	1,724,891	-	8,414,831
Highways and streets	82,512,618	11,598,246	875	94,109,989
Stormwater	-	32,342	-	32,342
Recreation	22,769,725	851,364	61,435	23,559,654
Community development	3,281,621	95,093	26,290	3,350,424
Total governmental capital assets	<u>\$129,804,923</u>	<u>18,218,009</u>	<u>416,539</u>	<u>147,606,393</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2008

Major Governmental Funds

<u>Type of Investment or Account</u>	<u>Interest Rate</u>	<u>Amount</u>
General Fund:		
Demand deposits and savings	Various	\$4,992,531
Local Government Investment Pool	Various	8,483,674
Change funds	-	1,875
Total General Fund		<u>13,478,080</u>
Capital Projects Fund		
Demand deposits and savings	-	237,829
Total Capital Projects Fund		<u>237,829</u>

Nonmajor Governmental Funds

Drug Fund:		
Cash	-	100
Demand deposit	-	9,376
Total Drug Fund		<u>9,476</u>
State Street Aid Fund:		
Local Government Investment Pool	Various	256,779
Demand deposits and savings	Various	91,640
Total State Street Aid Fund		<u>348,419</u>
Golf Course Fund:		
Demand deposits and savings	Various	35,318
Change funds	-	1,171
Total Golf Course Fund		<u>36,489</u>
Impact Fee Fund		
Demand deposits and savings	Various	4,187,732
Total Impact Fee Fund		<u>4,187,732</u>
Stormwater Fund		
Demand deposits and savings	-	33,246
Total Stormwater Fund		<u>33,246</u>

Proprietary Funds

Water and Sewer Fund:		
Demand deposits and savings	Various	1,858,379
Local Government Investment Pool	Various	3,608,264
Change funds	-	600
Total Water and Sewer Fund		<u>5,467,243</u>
Natural Gas Fund:		
Local Government Investment Pool	Various	6,555,993
Demand deposits and savings	Various	4,677,732
Total Natural Gas Fund		<u>11,233,725</u>
Internal Service Fund		
Demand deposits and savings	Various	1,889,559
Total Internal Service Fund		<u>1,889,559</u>
Total Primary Government		<u>\$36,921,798</u>

Component Unit:

Industrial Development Fund		
Demand deposits and savings	-	\$46,606
Total Industrial Development Fund		<u>\$46,606</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Changes in Property Taxes Receivable

General Fund

For the Year Ended June 30, 2008

<u>Fiscal Year</u>	<u>Balance June 30, 2007</u>	<u>Adjustments/ Assessments</u>	<u>Collections</u>	<u>Balance June 30, 2008</u>
2007 - 2008	\$ -	6,944,753	6,757,556	187,197
2006 - 2007	224,287	-	175,775	48,512
2005 - 2006	17,698	-	10,514	7,184
2004 - 2005	9,709	-	2,278	7,431
2003 - 2004	9,792	-	1,411	8,381
2002 - 2003	7,800	-	258	7,542
2001 - 2002	9,884	-	360	9,524
2000 - 2001	5,091	-	138	4,953
1999 - 2000	2,196	-	186	2,010
1998 - 1999	3,552	-	62	3,490
1997 - 1998	664	-	664	-
	<u>\$290,673</u>	<u>6,944,753</u>	<u>6,949,202</u>	286,224
2007 - 2008**				<u>7,203,228</u>
				<u>\$7,489,452</u>

Fiscal year 2004-2005 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, 2008

Year Ending <u>June 30,</u>	Public Building Authority Loan	Public Building Authority Loan	Public Building Authority Loan	General Obligation Bonds	Interest Requirements	Total
2009	\$366,992	406,000	100,000	100,000	688,858	1,661,850
2010	385,356	422,000	100,000	150,000	645,335	1,702,691
2011	404,609	-	400,000	250,000	592,154	1,646,763
2012	424,751	-	400,000	275,000	545,237	1,644,988
2013	445,100	-	400,000	300,000	496,342	1,641,442
2014	-	-	430,000	790,000	445,463	1,665,463
2015	-	-	440,000	820,000	396,575	1,656,575
2016	-	-	460,000	855,000	348,740	1,663,740
2017	-	-	500,000	885,000	300,496	1,685,496
2018	-	-	500,000	920,000	249,943	1,669,943
2019	-	-	520,000	955,000	196,403	1,671,403
2020	-	-	550,000	995,000	140,296	1,685,296
2021	-	-	-	1,030,000	81,310	1,111,310
2022	-	-	-	1,075,000	41,656	1,116,656
	<u>\$2,026,808</u>	<u>828,000</u>	<u>4,800,000</u>	<u>9,400,000</u>	<u>5,168,808</u>	<u>22,223,616</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Maturities of Indebtedness and Interest Requirements

Enterprise Fund

June 30, 2008

Year Ending June 30,	Water and Sewer Fund				Interest Requirements	Total
	Bond Issue					
	1998	2001	2003A	2004		
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>\$4,819,192</u>	<u>3,035,000</u>	<u>3,380,000</u>	<u>8,775,000</u>	<u>4,034,148</u>	<u>24,043,340</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

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>
16.579	Edward Byrne Memorial Grant	U.S. Department of Justice	\$26,524
16.607	Bullet Proof Vest Grant	U.S. Department of Justice	5,842
20.600/20.607	Network Coordinator Grant	TN Department of Transportation	3,591
			<u>\$35,957</u>

This schedule was prepared using the accrual basis of accounting.

At June 30, 2008, 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, 2008

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

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>(Accrued) or Deferred Revenue at July 1, 2007</u>	<u>Program Adjustments, Income & Grant Receipts</u>	<u>Expenditures</u>	<u>(Accrued) or Deferred Revenue at June 30, 2008</u>
16.579	2005-DJ-BX-0233 2007-DJ-BX-1001	Edward Byrne Memorial Grant	U.S. Department of Justice	\$-	25,876	26,524	(648)
16.607	N/A	Bulletproof Vest Grant	U.S. Department of Justice	-	3,478	5,842	(2,364)
20.601	Z-07-035975-00	High Visibility Law Enforcement	Federal Highway Administration	(4,995)	4,995	-	-
20.600/20.607	PT-08-44/154AL-08-92	Network Coordinator Grant	TN department of Transportation	-	2,233	3,591	(1,358)
Total Federal Assistance				<u>(\$4,995)</u>	<u>36,582</u>	<u>35,957</u>	<u>(4,370)</u>

This schedule was prepared using the accrual basis of accounting.

TOWN OF SMYRNA, TENNESSEE

Schedule of Utility Data and Unaccounted for Water

June 30, 2008

<u>Services</u>		<u>Number of Customers</u>
Water		13,219
Sewer		12,271
Natural Gas		9,500
Fire Hydrants		1,419
 <u>Rates</u>		
Water (in Town)		
First 2,000 gallons	\$6.75	
2,001 - 25,000 gallons	2.03/1,000 gallons	
25,001 - 52,000 gallons	2.32/1,000 gallons	
thereafter	2.46/1,000 gallons	
Water (outside Town)		
First 2,000 gallons	\$8.86	
2,001 - 25,000 gallons	3.05/1,000 gallons	
25,001 - 52,000 gallons	3.48/1,000 gallons	
thereafter	3.70/1,000 gallons	
Average water loss for the year (pumped vs sold)	20.21%	
Sewer (in Town)		
First 2,000 gallons	\$9.03	
thereafter	2.10/1,000 gallons	
Sewer (outside Town)		
First 2,000 gallons	\$13.48	
thereafter	2.76/1,000 gallons	
Natural Gas		
Residential and Small Commercial	\$2.00/first 400 cubic feet	
Any excess at current market rate		
 Schedule of Unaccounted for Water (gallons)		
Water treated and purchased:		
Water pumped (potable)	3,301,921,000	
Water purchased	<u>17,232,488</u>	3,319,153,488
Accounted for water:		
Water sold	2,537,053,362	
Fire department usage	1,415,630	
Flushing	29,393,043	
Water bill adjustments	116,413,796	
Other	* <u>89,260,000</u>	<u>2,773,535,831</u>
Unaccounted for water		545,617,657
Percent unaccounted for water		16.44%
Cost per 1,000,000 gallons		\$1.30
Cost of unaccounted for water		\$709,303

* Line repairs 86,000,000, Lift station 1,468,000, WWTP 1,800,000