

FINANCIAL SECTION

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business - type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Tennessee (the Town), as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Smyrna's management. Our responsibility is to express opinions on these financial statements based on our audit.

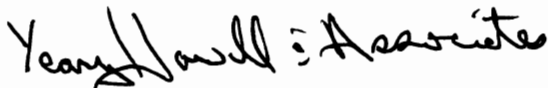
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Tennessee at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, on our consideration of the Town of Smyrna's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2-11 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smyrna's basic financial statements. The Introductory Section (Pages i through vii), Combining and Individual Nonmajor Fund Statements and Schedules, Financial Schedules Section and Statistical Section as listed in the Table of Contents on (pages 48 through 88), inclusive are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules and, the Financial Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are stated fairly, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



October 19, 2009

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, 2009. 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 \$204,933,966 (net assets). Of this amount, \$29,772,677 (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 \$568,256.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$18,717,508, an increase of \$1,843,826 in comparison with the prior year. Approximately 97% of this total amount, \$18,108,047, 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 \$14,666,346, or 54% of total general fund expenditures. This demonstrates the Town's fiscal discipline and places the Town in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown in the economy.
- The Town of Smyrna's total debt increased by \$6,374,999 during the current fiscal year. This was a result of the issuance of \$18,190,000 in new debt, refunding of \$8,350,000 in debt and the payment of current debt owed.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Town of Smyrna's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Smyrna's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Smyrna is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, 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 \$204,933,966 at the close of the most recent fiscal year.

Net Assets - Primary Government

June 30

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 34,806,692	\$ 32,508,667	\$ 18,623,402	\$ 21,263,762	\$ 53,430,094	\$ 53,772,429
Capital Assets	102,157,993	98,117,242	112,756,878	108,182,318	214,914,871	206,299,560
Total Assets	<u>136,964,685</u>	<u>130,625,909</u>	<u>131,380,280</u>	<u>129,446,080</u>	<u>268,344,965</u>	<u>260,071,989</u>
Long-term Liabilities Outstanding	23,217,166	18,726,056	22,116,756	19,942,220	45,333,922	38,668,276
Other Liabilities	14,398,742	13,581,169	3,678,335	3,456,834	18,077,077	17,038,003
Total Liabilities	<u>37,615,908</u>	<u>32,307,225</u>	<u>25,795,091</u>	<u>23,399,054</u>	<u>63,410,999</u>	<u>55,706,279</u>
Net Assets:						
Invested in Capital Assets, net of related debt	80,698,915	81,028,922	90,640,122	88,240,098	171,339,037	169,269,020
Restricted	3,822,252	4,388,429	-	-	3,822,252	4,388,429
Unrestricted	14,827,610	12,901,333	14,945,067	17,806,928	29,772,677	30,708,261
Total Net Assets	<u>\$ 99,348,777</u>	<u>\$ 98,318,684</u>	<u>\$ 105,585,189</u>	<u>\$ 106,047,026</u>	<u>\$ 204,933,966</u>	<u>\$ 204,365,710</u>

By far the largest portion of the Town of Smyrna's net assets (83.6 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 (1.87 percent) represents resources that are subject to external restrictions on how they may be used. These include net assets restricted for capital projects (\$3,254,231), highways and streets (\$277,135), stormwater (\$240,696) and law enforcement (\$50,190). The remaining balance of unrestricted net assets (\$29,772,677) may be used to meet the government's ongoing obligations to citizens and creditors.

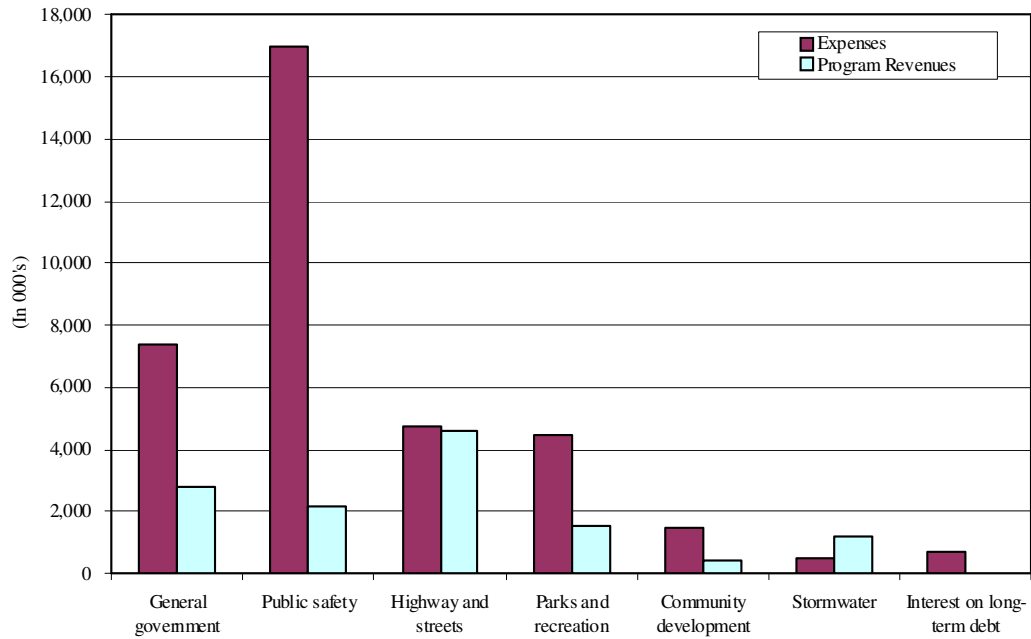
At the end of the current fiscal year, the Town of Smyrna is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the Town of Smyrna's net assets by \$1,030,093, thereby accounting for 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 Town also saw an increase in property tax and in lieu of tax revenue. This increase is due to the growth of the tax base. Another portion of this increase is due to the increase in local option sales tax. The growth in local option sales tax continues to grow over the previous year due to the increase in commercial business in the Town.

Changes in Net Assets
For the year ended June 30

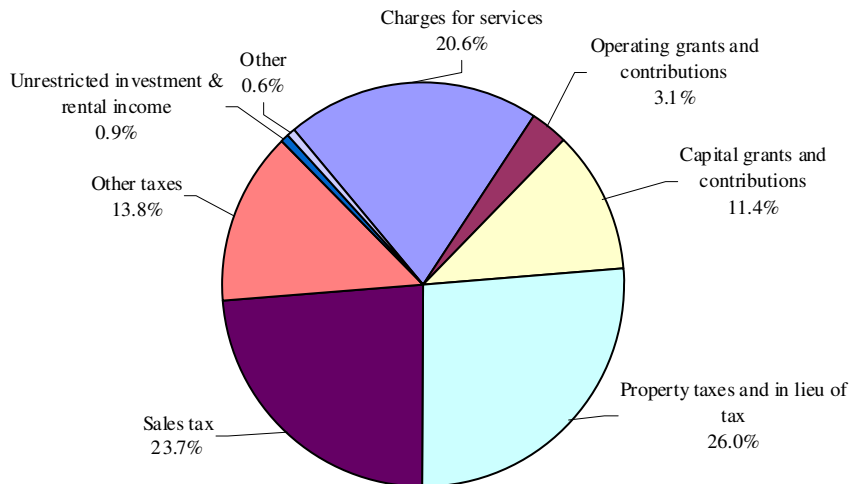
	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues:						
Charges for services	\$ 7,508,682	\$ 6,115,670	\$ 29,154,272	\$ 31,627,512	\$ 36,662,954	\$ 37,743,182
Operating grants and contributions	1,126,471	1,048,308	-	-	1,126,471	1,048,308
Capital grants and contributions	4,146,351	9,198,553	984,604	5,111,011	5,130,955	14,309,564
General revenues:						
Property taxes and in lieu of tax	9,503,939	9,195,425	-	-	9,503,939	9,195,425
Sales tax	8,648,135	8,187,025	-	-	8,648,135	8,187,025
Other taxes	5,051,879	4,746,847	-	-	5,051,879	4,746,847
Gain on sale of capital assets	182,564	23,367	-	-	182,564	23,367
Unrestricted investment earnings	316,030	1,058,635	211,977	659,593	528,007	1,718,228
Other	224,126	104,943	9,505	(113,745)	233,631	(8,802)
Total Revenues	36,708,177	39,678,773	30,360,358	37,284,371	67,068,535	76,963,144
Expenses:						
General government	7,400,713	6,657,254	-	-	7,400,713	6,657,254
Public safety	16,960,669	15,056,464	-	-	16,960,669	15,056,464
Highway and streets	4,737,861	4,277,621	-	-	4,737,861	4,277,621
Parks and recreation	4,490,983	4,202,662	-	-	4,490,983	4,202,662
Community development	1,464,050	1,380,316	-	-	1,464,050	1,380,316
Stormwater	502,108	508,715	-	-	502,108	508,715
Interest on long-term debt	701,726	669,262	-	-	701,726	669,262
Water and Sewer	-	-	13,198,485	11,573,972	13,198,485	11,573,972
Natural Gas	-	-	17,043,684	20,453,363	17,043,684	20,453,363
Total expenses	36,258,110	32,752,294	30,242,169	32,027,335	66,500,279	64,779,629
Increase in net assets before transfers	450,067	6,926,479	118,189	5,257,036	568,256	12,183,515
Transfers	580,026	573,944	(580,026)	(573,944)	-	-
Increase in net assets	1,030,093	7,500,423	(461,837)	4,683,092	568,256	12,183,515
Net assets - beginning	98,318,684	90,818,261	106,047,026	101,363,934	204,365,710	192,182,195
Net assets - ending	\$ 99,348,777	\$ 98,318,684	\$ 105,585,189	\$ 106,047,026	\$ 204,933,966	\$ 204,365,710

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.

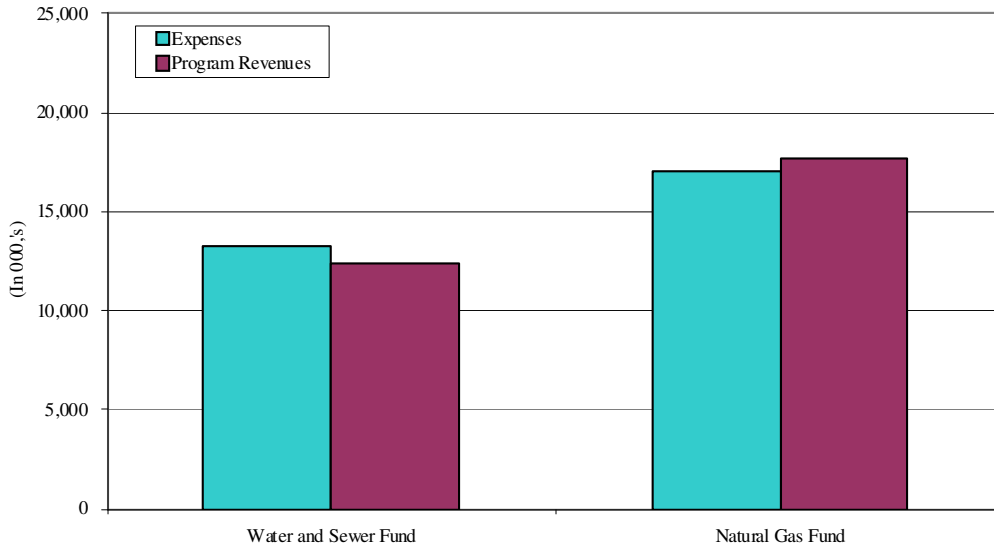
Revenue by Source – Governmental Activities



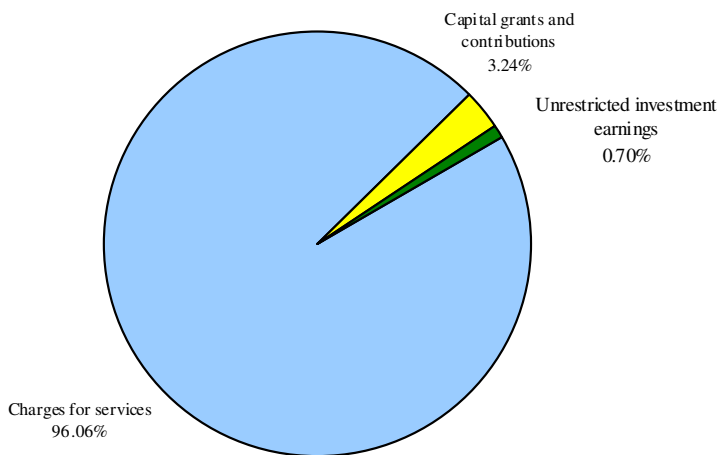
Business-type activities. Business-type activities decreased the Town of Smyrna’s net assets by \$461,837. Key elements of this decrease are as follows:

- The decrease in net assets is a result of cash and non-cash capital contributions decreasing in the Water and Sewer Fund. This is primarily a result of the slowdown in new residential construction due to the current economic conditions.

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 \$18,717,508, an increase of \$1,843,826 in comparison with the prior year. Approximately 97% of this total amount (\$18,108,047) 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 (\$189,080), project (\$337,496), and prepaid items and inventory (\$82,885).

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 \$14,666,346, while total fund balance was \$15,044,827. 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 54 percent of total general fund expenditures, while total fund balance represents 56 percent of that same amount.

The fund balance of the Town of Smyrna's general fund decreased by \$1,331,157 during the current fiscal year. Key factors in this decrease are as follows:

- At the end of the fiscal year, the General Fund transferred \$1,543,000 to three funds to negate the funds having a negative fund balance at year end. The funds were disbursed to the Golf Course Fund, \$792K, which covered deficits for fiscal years 2008 and 2009 and the budgeted deficit for fiscal year 2010, of \$232K. To the Stormwater Fund, \$214K, this covered the deficit for fiscal year 2009, which will be repaid to the General Fund by the end of calendar year 2009. This transfer was needed due to the timing of the ordinance creating the revenue source for this fund being delayed by about 5 months. To the Capital Projects Fund, \$537K, as a result of projects being started prior to bond financing being secured. This amount will be reimbursed to the General Fund from a future bond issue in accordance with a reimbursing resolution.

The capital projects fund has a total fund balance of (\$11,899), of which \$189,080 is reserved for the noncurrent portion of notes receivable. The net increase in fund balance during the current year in the capital projects fund was \$2,779,245. The key factor in this increase was funds from a bond issue that closed during the fiscal year.

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

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$3,063,217 and those for the Natural Gas Fund amounted to \$11,583,716. The change in unrestricted net assets for the funds was a decrease of \$3,206,561 and an increase of \$501,235, 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 \$18,511 increase in appropriations between the original and final amended general fund expenditure budget and can be summarized with the following increase:

- \$18,500 supplemental amendment to fund employee education and training, membership fees, telephone services and contractual services in the attorneys office of the administration department.

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

Additional information about the budget process can be found in Note 16, 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, 2009 amounts to \$214,914,871 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the Town of Smyrna's investment in capital assets for the current fiscal year was 4.18 percent (a 4.12 percent increase for governmental activities and a 4.23 percent increase for business-type activities).

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

- Engineering and design began on the water plant expansion during the fiscal year; which amounted to \$981,093 for this project for the fiscal year.
- Purchase of a replacement backhoe for the water & sewer maintenance department was completed during the year. This purchase resulted in an increase in equipment of \$67,114.
- Construction began on Mayfield Dr. sidewalks during the year, which amounted to \$43,181 for this project as of the close of the fiscal year.
- Purchase of a 100 foot mid mount platform aerial fire truck was completed during the year. This purchase resulted in an increase in equipment of \$901,526.
- Purchased 8 police patrol vehicles amounting to \$164,800 and three administrative police vehicles amounting to \$51,081.
- Purchase of a replacement rocksaw for the natural gas department was completed during the year. This purchase resulted in an increase in equipment of \$473,396.
- An automatic meter reading program was begun during the fiscal year in the water & sewer and natural gas departments. This project amounted to \$822,636 as of the close of the fiscal year.
- Sewer rehabilitation work continued during the fiscal year, which amounted to \$1,286,175 for this project as of the close of the fiscal year.
- Construction continued on widening Enon Springs Road West; which amounted to \$1,538,297 for this project as of the close of the fiscal year.
- Engineering and design began on Old Almadale Rd widening during the fiscal year; which amounted to \$160,236 for this project for the fiscal year.
- Engineering and design began on the Town Centre expansion during the fiscal year; which amounted to \$429,140 for this project for the fiscal year.
- Construction continued on widening Rock Springs Road; which amounted to \$2,170,181 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			
	2009	2008	2009	2008	2009	2008
Land	\$ 4,618,300	\$ 4,639,676	\$ 1,665,090	\$ 1,665,090	\$ 6,283,390	\$ 6,304,766
Water rights	-	-	2,350,000	-	2,350,000	-
Buildings and system	12,136,194	12,064,806	105,063,978	102,086,800	117,200,172	114,151,606
Improvements other than buildings	10,301,705	12,052,876	-	-	10,301,705	12,052,876
Machinery and equipment	6,186,186	2,927,558	1,735,240	1,301,850	7,921,426	4,229,408
Infrastructure	63,169,640	60,437,881	-	-	63,169,640	60,437,881
Construction in progress	5,745,968	5,994,445	1,942,570	3,128,578	7,688,538	9,123,023
Total Assets, net	<u>\$ 102,157,993</u>	<u>\$ 98,117,242</u>	<u>\$ 112,756,878</u>	<u>\$ 108,182,318</u>	<u>\$ 214,914,871</u>	<u>\$ 206,299,560</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 \$43,438,999. Of this amount, \$21,428,783 is debt backed by the full faith and credit of the government; \$22,010,216 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 21,428,783	\$ 17,054,808	\$ -	\$ -	\$ 21,428,783	\$ 17,054,808
Revenue and tax bonds	-	-	22,010,216	20,009,192	22,010,216	20,009,192
Total	<u>\$ 21,428,783</u>	<u>\$ 17,054,808</u>	<u>\$ 22,010,216</u>	<u>\$ 20,009,192</u>	<u>\$ 43,438,999</u>	<u>\$ 37,064,000</u>

The Town of Smyrna’s total bonded debt increased by \$6,374,999 (17.2%) during the current fiscal year. This was a result of the issuance of \$18,190,000 in new debt, refunding of \$8,350,000 in debt and the payment of current debt owed.

The Town of Smyrna maintains a “AA” rating from Standard and Poor’s and an “Aa3” rating from Moody’s Investors Service for its general obligation and revenue and tax bonds debt.

State statutes set no limit for the amount of general obligation debt a governmental entity may issue. However, the Town has established a policy that tax supported debt not exceed 10% of assessed property value. The Town’s tax supported debt is currently at 5.2% 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

- As discussed on page ii of the transmittal letter, the unemployment rate for the Town of Smyrna is currently higher than the national rate. We feel this trend will reverse in the future and we will see unemployment below the national rate as has been the trend over the past ten years.
- Local sales tax collections continue to come in at amounts greater than the previous year’s collections. This is due to the continued development of commercial businesses through this economic slowdown.
- Housing prices have only decreased about \$2,000 on average compared to the previous year.
- Hotel construction in Smyrna has continued along the interstate corridor, with one additional hotel opening just prior to the end of the fiscal year. Occupancy continues to be high in the nine hotels we have currently.

These factors were considered in preparing the Town of Smyrna’s budget for the 2010 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$14,666,346. The Town of Smyrna appropriated \$435,960 of this amount for spending on one time capital assets in the 2010 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

BASIC FINANCIAL STATEMENTS

TOWN OF SMYRNA, TENNESSEE

Statement of Net Assets

June 30, 2009

Assets	Primary Government		Total	Component Unit
	Governmental Activities	Business Activities		Industrial Development Fund
Cash and cash equivalents	\$16,934,046	13,294,122	30,228,168	46,472
Investments	4,550,000	-	4,550,000	-
Receivables (net of allowance for uncollectibles)				
Taxes	10,205,162	-	10,205,162	-
Due from other governments	2,281,024	-	2,281,024	-
Accounts receivable	639,379	2,848,242	3,487,621	-
Inventories, at cost	72,537	638,763	711,300	-
Internal balances	(298,134)	298,134	-	-
Restricted assets:				
Cash and equivalents - customer and developer deposits	-	722,947	722,947	-
Other	-	7,000	7,000	-
Note receivable	198,733	503,877	702,610	-
Other assets	223,945	310,317	534,262	107,548
Non-depreciable capital assets	10,364,268	5,957,660	16,321,928	-
Depreciable capital assets (net of accumulated depreciation)	91,793,725	106,799,218	198,592,943	3,266,303
Total Assets	\$136,964,685	131,380,280	268,344,965	3,420,323
Liabilities				
Accounts payable	\$2,521,070	1,268,807	3,789,877	-
Accrued liabilities	1,690,746	606,908	2,297,654	-
Interest payable	186,398	117,798	304,196	14,673
Contracts payable	156,747	326,427	483,174	-
Deferred revenue	9,815,178	638,476	10,453,654	-
Unearned revenue	28,603	-	28,603	-
Liabilities payable from restricted assets	-	719,919	719,919	-
Long-term liabilities due within one year	2,977,040	2,820,960	5,798,000	55,000
Long-term liabilities due in more than one year	20,240,126	19,295,796	39,535,922	3,840,000
Total Liabilities	37,615,908	25,795,091	63,410,999	3,909,673
Net Assets				
Investments in capital assets, net of related debt	80,698,915	90,640,122	171,339,037	(521,149)
Restricted for:				
Capital projects	3,254,231	-	3,254,231	-
Highways and streets	277,135	-	277,135	-
Stormwater	240,696	-	240,696	-
Law enforcement	50,190	-	50,190	-
Unrestricted	14,827,610	14,945,067	29,772,677	31,799
Total Net Assets	\$99,348,777	105,585,189	204,933,966	(489,350)

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2009

Functions / Programs:	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total	Component Unit Industrial Development Fund
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
Primary Government: Governmental Activities:					Governmental Activities	Business-type Activities		
General government	\$7,400,713	2,813,332	-	-	(4,587,381)	-	(4,587,381)	-
Public safety:								
Police	9,258,680	1,741,817	40,915	-	(7,475,948)	-	(7,475,948)	-
Fire	7,701,989	-	-	402,120	(7,299,869)	-	(7,299,869)	-
Highways and streets	4,737,861	-	1,085,556	3,527,422	(124,883)	-	(124,883)	-
Recreation	4,490,983	1,336,957	-	216,809	(2,937,217)	-	(2,937,217)	-
Community Development	1,464,050	415,078	-	-	(1,048,972)	-	(1,048,972)	-
Stormwater	502,108	1,201,498	-	-	699,390	-	699,390	-
Interest expense on long-term debt	701,726	-	-	-	(701,726)	-	(701,726)	-
Total Government Activities	<u>36,258,110</u>	<u>7,508,682</u>	<u>1,126,471</u>	<u>4,146,351</u>	<u>(23,476,606)</u>	<u>-</u>	<u>(23,476,606)</u>	<u>-</u>
Business-type Activities								
Water and Sewer	13,198,485	11,507,794	-	911,091	-	(779,600)	(779,600)	-
Natural Gas	17,043,684	17,646,478	-	73,513	-	676,307	676,307	-
Total Business-type Activities	<u>30,242,169</u>	<u>29,154,272</u>	<u>-</u>	<u>984,604</u>	<u>-</u>	<u>(103,293)</u>	<u>(103,293)</u>	<u>-</u>
Total Primary Government	<u>\$66,500,279</u>	<u>36,662,954</u>	<u>1,126,471</u>	<u>5,130,955</u>	<u>(23,476,606)</u>	<u>(103,293)</u>	<u>(23,579,899)</u>	<u>-</u>
Component Unit								
Industrial Development Fund	<u>\$309,254</u>	<u>231,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,904)</u>
General Revenues:								
Property taxes and in lieu of tax					\$9,503,939	-	9,503,939	-
Sales taxes					8,648,135	-	8,648,135	-
Unrestricted other locally assessed taxes					2,041,820	-	2,041,820	-
Unrestricted other state shared taxes					3,010,059	-	3,010,059	-
Unrestricted investment earnings					316,030	211,977	528,007	279
Gain on sale of capital assets					182,564	-	182,564	-
Other					224,126	9,505	233,631	-
Transfers					580,026	(580,026)	-	-
Total general revenues and transfers					<u>24,506,699</u>	<u>(358,544)</u>	<u>24,148,155</u>	<u>279</u>
Change in net assets					1,030,093	(461,837)	568,256	(77,625)
Net assets - beginning of year					<u>98,318,684</u>	<u>106,047,026</u>	<u>204,365,710</u>	<u>(411,725)</u>
Net assets - end of year					<u>\$99,348,777</u>	<u>105,585,189</u>	<u>204,933,966</u>	<u>(489,350)</u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2009

<u>Assets</u>	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$12,385,505	381,959	2,796,538	15,564,002
Investments	3,300,000		1,250,000	4,550,000
Receivables (net of allowance for uncollectibles)				
Taxes	10,227,962	-	-	10,227,962
Due from other governments	2,078,163	20,357	182,504	2,281,024
Accounts receivable	149,944	-	324,475	474,419
Due from other funds	54,350	62,205	-	116,555
Inventory of supplies	40,985	-	31,552	72,537
Note receivable	-	198,733	-	198,733
Prepaid items	-	-	10,348	10,348
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$28,236,909</u>	<u>663,254</u>	<u>4,595,417</u>	<u>33,495,580</u>
<u>Liabilities and Fund Balances</u>				
Accounts payable	\$442,305	651,967	513,338	1,607,610
Accrued costs	1,632,980	-	57,766	1,690,746
Due to other funds	-	-	116,555	116,555
Contracts payable	-	23,186	133,561	156,747
Deferred/unearned revenue	11,116,797	-	89,617	11,206,414
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>13,192,082</u>	<u>675,153</u>	<u>910,837</u>	<u>14,778,072</u>
Fund Balance:				
Reserved for prepaid items and inventory	40,985	-	41,900	82,885
Reserved for project	337,496	-	-	337,496
Reserved for notes receivable	-	189,080	-	189,080
Unreserved and undesignated				
General Fund	14,666,346	-	-	14,666,346
Capital Projects Fund	-	(200,979)	-	(200,979)
Special Revenue Funds	-	-	3,642,680	3,642,680
Total Fund Balances	<u>15,044,827</u>	<u>(11,899)</u>	<u>3,684,580</u>	<u>18,717,508</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$28,236,909</u>	<u>663,254</u>	<u>4,595,417</u>	<u>33,495,580</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, 2009

Amounts reported for fund balance - total governmental funds	\$18,717,508
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported in the funds	102,157,993
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	1,083,475
Property taxes receivable	256,358
Internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	323,410
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.	(186,398)
Bond issue costs are amortized over the life of the bonds in the statement of activities.	213,597
Bond premiums are amortized as a component of interest in the statement of activities.	(30,295)
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	(21,428,783)
Compensated absences	(1,758,088)
Net assets of governmental activities	<u><u>\$99,348,777</u></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, 2009

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$17,816,628	-	-	17,816,628
Payment in lieu of taxes	2,302,121	-	-	2,302,121
Licenses and permits	768,563	-	2,641,476	3,410,039
Intergovernmental	3,124,854	23,557	1,000,879	4,149,290
Fines and forfeits	1,614,697	-	127,120	1,741,817
Uses of money and property	2,925,553	10,406	2,362,245	5,298,204
Miscellaneous	485,317	-	-	485,317
Total Revenues	<u>29,037,733</u>	<u>33,963</u>	<u>6,131,720</u>	<u>35,203,416</u>
<u>Expenditures</u>				
Current:				
General government	6,491,885	145,446	-	6,637,331
Public safety:				
Police	8,517,717	67,190	87,237	8,672,144
Fire	7,309,805	63,269	-	7,373,074
Highways and streets	941,275	73,174	866,429	1,880,878
Recreation	2,462,896	24,671	1,292,190	3,779,757
Community development	1,258,918	8,200	-	1,267,118
Stormwater	-	9,760	509,868	519,628
Debt service	-	-	1,628,066	1,628,066
Capital outlay	-	7,528,587	-	7,528,587
Total Expenditures	<u>26,982,496</u>	<u>7,920,297</u>	<u>4,383,790</u>	<u>39,286,583</u>
Excess (deficiency) revenues over expenditures	2,055,237	(7,886,334)	1,747,930	(4,083,167)
<u>Other Financing Sources (Uses)</u>				
General obligation bond issuance	-	5,346,967	-	5,346,967
Transfers in	580,026	5,318,612	2,634,066	8,532,704
Transfers out	(3,966,420)	-	(3,986,258)	(7,952,678)
Total Other Financing Source (Uses)	<u>(3,386,394)</u>	<u>10,665,579</u>	<u>(1,352,192)</u>	<u>5,926,993</u>
Net change in fund balance	(1,331,157)	2,779,245	395,738	1,843,826
Fund balance, beginning of year	16,375,984	(2,791,144)	3,288,842	16,873,682
Fund balance, end of year	<u>\$15,044,827</u>	<u>(11,899)</u>	<u>3,684,580</u>	<u>18,717,508</u>

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, 2009

Net change in fund balances-total governmental funds: \$1,843,826

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	7,528,587
Depreciation expense	(4,914,084)
Basis of capital assets disposed of	(78,627)

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

Property taxes	37,457
Local option sales tax	37,688
State shared taxes	(12,760)
Contributed capital assets	1,504,875

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	972,992
Debt issuance	(5,346,967)
Debt issuance costs	90,809
Amortization of debt related costs	(14,002)
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	(49,869)
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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	(120,352)
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Internal service funds are used by management to charge the costs of 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)

(452,697)

Change in net assets of governmental activities

\$1,030,093

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Real estate taxes	\$7,128,000	7,128,000	7,164,361	36,361
Business tax	400,000	400,000	343,648	(56,352)
Wholesale beer tax	1,030,000	1,030,000	1,046,230	16,230
Local option sales tax	8,000,000	8,000,000	8,610,447	610,447
Other	691,500	691,500	651,942	(39,558)
Total Taxes	<u>17,249,500</u>	<u>17,249,500</u>	<u>17,816,628</u>	<u>567,128</u>
Payments in lieu of taxes	<u>2,238,800</u>	<u>2,238,800</u>	<u>2,302,121</u>	<u>63,321</u>
Licenses and Permits	<u>1,099,900</u>	<u>1,099,900</u>	<u>768,563</u>	<u>(331,337)</u>
Intergovernmental Revenues:				
State of Tennessee income tax	70,000	70,000	87,762	17,762
State of Tennessee beer tax	18,000	18,000	19,859	1,859
State of Tennessee sales tax	2,400,000	2,400,000	2,509,843	109,843
Maintenance of state roads	72,000	72,000	81,802	9,802
Federal and state grants	-	-	17,358	17,358
Other state and county shared taxes	250,530	250,530	408,230	157,700
Total Intergovernmental Revenues	<u>2,810,530</u>	<u>2,810,530</u>	<u>3,124,854</u>	<u>314,324</u>
Fines and forfeits	<u>1,201,765</u>	<u>1,201,765</u>	<u>1,614,697</u>	<u>412,932</u>
Uses of Property and Money:				
Penalties	36,000	36,000	51,385	15,385
Interest earned	403,700	403,700	230,560	(173,140)
Rent	105,000	105,000	84,845	(20,155)
Traffic school fees	189,200	189,200	161,216	(27,984)
Administrative support charges	1,667,273	1,667,273	1,667,273	-
Cemetery revenue	53,000	53,000	80,050	27,050
Recreation fees and community center fees	479,000	479,000	454,252	(24,748)
Food sales	250,000	250,000	195,972	(54,028)
Total Uses of Property and Money	<u>3,183,173</u>	<u>3,183,173</u>	<u>2,925,553</u>	<u>(257,620)</u>
Other	<u>35,400</u>	<u>35,400</u>	<u>485,317</u>	<u>449,917</u>
Total Revenues	<u>27,819,068</u>	<u>27,819,068</u>	<u>29,037,733</u>	<u>1,218,665</u>
Expenditures:				
General Government:				
Current:				
Legislative Board:				
Salaries	36,000	36,000	36,000	-
Benefits and payroll taxes	26,170	26,170	27,372	(1,202)
Travel	21,000	17,000	16,465	535
Other	28,900	28,900	27,124	1,776
Total Legislative Board	<u>112,070</u>	<u>108,070</u>	<u>106,961</u>	<u>1,109</u>

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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, 2009

	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	\$732,880	677,380	729,163	(51,783)
Benefits and payroll taxes	252,815	228,815	204,912	23,903
Contractual services	96,670	69,670	55,983	13,687
Other	53,006	53,006	37,473	15,533
Total City and General Sessions Court	<u>1,135,371</u>	<u>1,028,871</u>	<u>1,027,531</u>	<u>1,340</u>
Vehicle Maintenance:				
Salaries	205,970	187,398	183,970	3,428
Benefits and payroll taxes	85,860	85,860	72,441	13,419
Other	62,030	62,030	74,662	(12,632)
Total City Garage	<u>353,860</u>	<u>335,288</u>	<u>331,073</u>	<u>4,215</u>
Codes, Engineering and Planning:				
Salaries	746,130	706,130	718,314	(12,184)
Benefits and payroll taxes	260,360	251,360	253,712	(2,352)
Board expenditures	600	600	482	118
Insurance	8,790	8,790	8,790	-
Telephone and utilities	3,225	3,225	3,591	(366)
Supplies	20,925	20,925	23,603	(2,678)
Repairs and maintenance	2,300	2,300	1,647	653
Professional services	48,000	44,000	40,207	3,793
Other	32,700	32,700	18,606	14,094
Total Codes, Engineering and Planning	<u>1,123,030</u>	<u>1,070,030</u>	<u>1,068,952</u>	<u>1,078</u>
Building and Grounds:				
Salaries	504,540	484,540	478,303	6,237
Benefits and payroll taxes	213,090	213,090	219,988	(6,898)
Repairs and maintenance	59,500	55,500	53,442	2,058
Supplies	35,950	32,450	35,174	(2,724)
Insurance	10,805	10,805	10,805	-
Cemetery	19,700	19,700	17,558	2,142
Other	1,690	1,690	1,438	252
Total Building Maintenance	<u>845,275</u>	<u>817,775</u>	<u>816,708</u>	<u>1,067</u>
Finance and Administration:				
Salaries	1,752,430	1,752,430	1,708,264	44,166
Benefits and payroll taxes	644,645	647,445	577,432	70,013
Memberships and testing	34,000	35,855	37,022	(1,167)
Telephone and utilities	130,070	152,070	204,975	(52,905)
Professional services	60,750	60,750	224,771	(164,021)
Repairs and maintenance	5,200	5,200	1,074	4,126
Travel	34,100	34,100	14,217	19,883
Supplies	95,265	95,265	69,583	25,682
Insurance	24,025	24,025	23,975	50
Outside services	205,400	217,256	185,820	31,436
Other	117,650	117,650	93,527	24,123
Total Finance and Administration	<u>3,103,535</u>	<u>3,142,046</u>	<u>3,140,660</u>	<u>1,386</u>
Total Current	<u>6,673,141</u>	<u>6,502,080</u>	<u>6,491,885</u>	<u>10,195</u>
Capital Outlay	-	-	-	-
Total General Government	<u>6,673,141</u>	<u>6,502,080</u>	<u>6,491,885</u>	<u>10,195</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Public Safety:				
Police Department:				
Current:				
Salaries	\$5,539,790	5,553,790	5,734,758	(180,968)
Benefits and payroll taxes	2,135,070	2,105,070	2,056,869	48,201
Outside services	109,992	109,992	104,973	5,019
Memberships and testing	11,979	11,979	14,704	(2,725)
Telephone	57,353	57,353	50,878	6,475
Repairs and maintenance	73,299	73,299	97,611	(24,312)
Travel	31,834	31,834	18,667	13,167
Supplies	436,025	436,025	301,827	134,198
Insurance	131,978	131,978	131,978	-
Other	7,750	7,750	5,452	2,298
Total Current	8,535,070	8,519,070	8,517,717	1,353
Capital Outlay	-	-	-	-
Total Police Department	8,535,070	8,519,070	8,517,717	1,353
Fire Department:				
Current:				
Salaries	5,386,130	4,936,130	4,971,088	(34,958)
Benefits and payroll taxes	2,071,235	1,741,235	1,734,100	7,135
Memberships and testing	15,525	15,525	10,505	5,020
Telephone and utilities	115,560	115,560	139,267	(23,707)
Repairs and maintenance	83,600	83,600	115,794	(32,194)
Supplies	235,380	235,380	185,450	49,930
Insurance	56,600	56,600	56,600	-
Outside services	93,183	81,183	66,606	14,577
Other	48,440	48,440	30,395	18,045
Total Current	8,105,653	7,313,653	7,309,805	3,848
Capital Outlay	-	-	-	-
Total Fire Department	8,105,653	7,313,653	7,309,805	3,848
Total Public Safety	16,640,723	15,832,723	15,827,522	5,201
Highways and Streets:				
Current:				
Salaries	422,520	422,520	426,345	(3,825)
Benefits and payroll taxes	221,740	221,740	232,539	(10,799)
Telephone and utilities	8,325	8,325	7,391	934
Repairs and maintenance	102,300	116,300	135,972	(19,672)
Supplies	92,100	92,100	79,799	12,301
Insurance	16,210	16,210	16,210	-
Outside services	30,000	30,000	20,923	9,077
Other	35,340	35,340	22,096	13,244
Total Current	928,535	942,535	941,275	1,260
Capital Outlay	-	-	-	-
Total Highways and Streets	928,535	942,535	941,275	1,260

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Recreation:				
Current:				
Salaries	\$1,274,080	1,224,080	1,215,535	8,545
Benefits and payroll taxes	453,176	453,176	410,322	42,854
Memberships and testing	6,820	6,820	7,770	(950)
Telephone and utilities	223,455	226,455	273,352	(46,897)
Repairs and maintenance	135,220	135,220	192,919	(57,699)
Travel	10,884	10,884	10,057	827
Outside services	201,506	201,506	153,031	48,475
Recreation programs	24,000	24,000	27,389	(3,389)
Advertising and promotion	3,000	3,000	2,559	441
Supplies	132,599	132,599	123,041	9,558
Insurance	31,080	31,080	31,080	-
Rent	12,292	12,292	13,491	(1,199)
Other	2,200	2,200	2,350	(150)
Total Current	<u>2,510,312</u>	<u>2,463,312</u>	<u>2,462,896</u>	<u>416</u>
Capital Outlay	-	-	-	-
Total Recreation	<u>2,510,312</u>	<u>2,463,312</u>	<u>2,462,896</u>	<u>416</u>
Community Development:				
Current:				
Salaries	370,470	332,470	331,273	1,197
Benefits and payroll taxes	148,750	143,750	134,151	9,599
Telephone and utilities	56,700	56,700	80,464	(23,764)
Repairs and maintenance	16,000	16,000	11,421	4,579
Outside services	10,000	10,000	8,545	1,455
Advertising and promotion	2,250	2,250	1,419	831
Food purchase	162,000	162,000	159,732	2,268
Supplies	40,550	40,550	33,637	6,913
Insurance	1,500	1,500	1,500	-
Contributions to non-profits	511,788	492,360	492,360	-
Other	4,310	4,310	4,416	(106)
Total Current	<u>1,324,318</u>	<u>1,261,890</u>	<u>1,258,918</u>	<u>2,972</u>
Capital Outlay	-	-	-	-
Total Community Development	<u>1,324,318</u>	<u>1,261,890</u>	<u>1,258,918</u>	<u>2,972</u>
Total Expenditures	<u>28,077,029</u>	<u>27,002,540</u>	<u>26,982,496</u>	<u>20,044</u>
Excess Revenues Over Expenditures	<u>(257,961)</u>	<u>816,528</u>	<u>2,055,237</u>	<u>1,238,709</u>
Other Financing Sources (Uses):				
Transfer to Capital Projects Fund	(1,205,068)	(1,742,068)	(1,654,776)	87,292
Transfer to Golf Fund	-	(792,000)	(792,000)	-
Transfer to Debt Service Fund	(1,756,281)	(1,306,281)	(1,305,644)	637
Transfer to Stormwater Fund	-	(214,000)	(214,000)	-
Transfer from Gas Fund	167,650	167,650	167,650	-
Transfer from Water and Sewer Fund	412,376	412,376	412,376	-
Total Other Financing Sources (Uses)	<u>(2,381,323)</u>	<u>(3,474,323)</u>	<u>(3,386,394)</u>	<u>87,929</u>
Net change in fund balance	<u>(2,639,284)</u>	<u>(2,657,795)</u>	<u>(1,331,157)</u>	<u>1,326,638</u>
Fund Balance, beginning of year	16,375,984	16,375,984	16,375,984	-
Fund Balance, end of year	<u>\$13,736,700</u>	<u>13,718,189</u>	<u>15,044,827</u>	<u>1,326,638</u>

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Net Assets

Proprietary Funds

June 30, 2009

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund	Total	
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$2,619,217	10,674,905	13,294,122	1,370,044
Cash and cash equivalents - restricted	116,311	606,636	722,947	-
Receivables:				
Utility customers, net of allowance for estimated uncollectible	1,560,699	1,287,543	2,848,242	164,960
Note receivable, current portion	23,199	-	23,199	-
Total Accounts Receivable	1,583,898	1,287,543	2,871,441	164,960
Due from other funds	-	-	-	-
Inventory, at cost	369,679	269,084	638,763	-
Total Current Assets	4,689,105	12,838,168	17,527,273	1,535,004
Noncurrent Assets:				
Restricted Assets:				
Special assessments and other receivable	7,000	-	7,000	-
Total Noncurrent Restricted Assets	7,000	-	7,000	-
Property, Plant and Equipment	146,058,611	22,308,518	168,367,129	-
Less accumulated depreciation	(45,131,814)	(10,478,437)	(55,610,251)	-
Total Property, Plant and Equipment, Net	100,926,797	11,830,081	112,756,878	-
Other Assets:				
Note receivable, net of current portion	480,678	-	480,678	-
Bond issuance cost-net of amortization	310,317	-	310,317	-
Total Other Assets	790,995	-	790,995	-
Total Noncurrent Assets	101,724,792	11,830,081	113,554,873	-
Total Assets	\$106,413,897	24,668,249	131,082,146	1,535,004
<u>Liabilities</u>				
Liabilities:				
Current Liabilities (payable from current assets):				
Accounts payable	\$805,139	463,667	1,268,806	-
Accrued expenses	419,732	187,177	606,909	-
Contracts payable	326,427	-	326,427	913,460
Interest payable	117,798	-	117,798	-
Deferred revenue	638,476	-	638,476	-
Current maturities of long-term debt	2,820,960	-	2,820,960	-
Total Current Liabilities (payable from current assets)	5,128,532	650,844	5,779,376	913,460
Current Liabilities (payable from restricted assets):				
Construction bonds	76,709	-	76,709	-
Customer deposits and project assistance	39,602	603,608	643,210	-
Total Current Liabilities (payable from restricted assets)	116,311	603,608	719,919	-
Total Current Liabilities	5,244,843	1,254,452	6,499,295	913,460
Noncurrent Liabilities:				
Long-term debt, net of current maturities	19,295,796	-	19,295,796	-
Total Liabilities	24,540,639	1,254,452	25,795,091	913,460
<u>Net Assets</u>				
Invested in capital assets, net of related debt	78,810,041	11,830,081	90,640,122	-
Unrestricted	3,063,217	11,583,716	14,646,933	621,544
Total Net Assets	\$81,873,258	23,413,797	105,287,055	621,544
ent to reflect the consolidation of internal service fund				
activities related to enterprise funds	431,835	(133,701)	298,134	
Net assets of business-type activities	\$82,305,093	23,280,096	105,585,189	

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, 2009

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
Operating Revenues:				
Services	\$11,328,122	17,459,124	28,787,246	6,481,307
Other	18,257	17,102	35,359	-
Forfeited discounts	161,415	170,252	331,667	-
Total Operating Revenues	11,507,794	17,646,478	29,154,272	6,481,307
Operating Expenses:				
Gas/ water purchases	61,665	14,065,515	14,127,180	-
Salaries	2,626,088	784,070	3,410,158	-
Benefits and payroll taxes	1,172,296	342,170	1,514,466	6,405,050
Travel	7,802	7,318	15,120	-
Outside services	527,484	44,896	572,380	-
Telephone and utilities	1,663,633	32,916	1,696,549	-
Maintenance and repair	572,375	92,160	664,535	447
Operating supplies	1,004,774	121,821	1,126,595	-
Insurance / claims	127,705	22,952	150,657	705,050
Professional services	54,250	13,867	68,117	-
Depreciation and amortization	3,344,213	772,943	4,117,156	-
Administrative support services	1,167,484	499,789	1,667,273	-
Other	67,440	105,172	172,612	-
Total Operating Expenses	12,397,209	16,905,589	29,302,798	7,110,547
Operating Income (loss)	(889,415)	740,889	(148,526)	(629,240)
Non-Operating Revenues (Expenses):				
Interest income	86,248	121,849	208,097	20,008
Gain (loss) on sale of capital assets	2,410	7,095	9,505	-
Interest expenses	(778,956)	-	(778,956)	-
Total Non-Operating Revenues (Expenses)	(690,298)	128,944	(561,354)	20,008
Net Income (loss) Before Contributions and Transfers	(1,579,713)	869,833	(709,880)	(609,232)
Contributions:				
Capital contributions - tap fees	586,541	73,513	660,054	-
Contributions from developers - non cash	324,550	-	324,550	-
Transfers out	(412,376)	(167,650)	(580,026)	-
Change in Net Assets	(1,080,998)	775,696	(305,302)	(609,232)
Net Assets, Beginning of Year,	82,954,256	22,638,101	105,592,357	1,230,776
Net Assets, End of Year	\$81,873,258	23,413,797	105,287,055	621,544
Change in Net Assets shown above	(1,080,998)	775,696	(305,302)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(19,415)	(137,121)	(156,536)	
Change in net assets of business-type activities	(\$1,100,413)	638,575	(461,838)	

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund	Total	
Cash Flows from Operating Activities:				
Cash received from customers	\$11,982,397	17,912,170	29,894,567	-
Cash paid to employees for services	(2,590,048)	(738,854)	(3,328,902)	-
Cash paid to suppliers for goods and services	(5,030,149)	(15,609,554)	(20,639,703)	-
Payments for interfund administrative support services	(1,167,484)	(499,789)	(1,667,273)	-
Cash received (paid) on interfund payable	13,365	1,651	15,016	-
Cash paid on customer deposits	-	(5,211)	(5,211)	-
Premiums received	-	-	-	6,439,203
Claims and administrative expenses paid	-	-	-	(6,978,726)
Net Cash Provided (Used) by Operating Activities	3,208,081	1,060,413	4,268,494	(539,523)
Cash Flows from Capital and Related Financing Activities:				
Purchase of property, plant, and equipment	(5,077,108)	(1,047,405)	(6,124,513)	-
Purchase of water rights	(2,350,000)		(2,350,000)	-
Cash received on note receivable	21,851	-	21,851	-
Cash received (paid) on construction bonds	(41,490)	-	(41,490)	-
Interest paid on debt	(727,610)	-	(727,610)	-
Proceeds from sale of bonds	12,811,296	-	12,811,296	-
Proceeds from sale of capital assets	2,410	7,096	9,506	-
Payments on long-term debt	(10,842,008)	-	(10,842,008)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,202,659)	(1,040,309)	(7,242,968)	-
Cash Flows from Non-Capital Financing Activities:				
Transfers	(412,376)	(167,650)	(580,026)	-
Contributed equity-from customers	588,991	73,513	662,504	-
Net Cash Provided (Used) by Non-Capital Financing Activities	176,615	(94,137)	82,478	-
Cash Flows from Investing Activities:				
Sale of investments	-	-	-	-
Interest received on investments	86,248	121,849	208,097	20,008
Net Cash Provided (Used) by Investing Activities	86,248	121,849	208,097	20,008
Net Increase (Decrease) in Cash	(2,731,715)	47,816	(2,683,899)	(519,515)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	5,467,243	11,233,725	16,700,968	1,889,559
Cash and Cash Equivalents and Restricted Cash, End of Year	\$2,735,528	11,281,541	14,017,069	1,370,044

Continued on next page

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds, Continued

For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>				
Operating income (loss)	(\$889,415)	740,889	(148,526)	(629,240)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,344,213	772,943	4,117,156	-
(Increase) decrease in:				
Accounts receivable	(163,873)	265,692	101,819	(42,104)
Inventory	(96,710)	(91,361)	(188,071)	-
Prepays	-	-	-	61,310
Increase (Decrease) in:				
Accounts payable	319,079	(659,869)	(340,790)	70,511
Accrued expenses	42,946	35,679	78,625	-
Deferred revenue	638,476	-	638,476	-
Due to/ Due from Customer deposits	13,365 -	1,651 (5,211)	15,016 (5,211)	- -
Net Cash Provided (used) for Operating Activities	<u>\$3,208,081</u>	<u>1,060,413</u>	<u>4,268,494</u>	<u>(539,523)</u>

Supplemental Schedule of Non-Cash Capital Financing Activities

In fiscal 2009, the Town accepted \$324,550 in contributed water and sewer lines from developers

In fiscal 2009, the Town liquidated contracts payable in the water and sewer utility fund in the amount of \$129,151.

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Fiduciary Net Assets

Pension Fund

June 30, 2009

Assets

Investments, at fair value:

Money market funds	\$396,359
Mutual funds	931,626
U S government securities	1,016,989
Corporate bonds	967,918
Interest receivable	30,502

Total Assets \$3,343,394

Liabilities

Liabilities -

Net Assets

Held in Trust for Pension Benefits 3,343,394
Total Net Assets Held in Trust for Pension Benefits \$3,343,394

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, 2009

Additions

Contributions - employer	\$303,353
Investment earnings	
Interest, dividends and other investment income (loss)	157,954
Net increase (decrease) in fair value of investments	<u>(393,995)</u>
Net investment earnings (loss)	<u>(236,041)</u>
Total additions	<u>67,312</u>

Deductions

Pension benefits	<u>116,344</u>
Total deductions	<u>116,344</u>
Change in net assets	(49,032)
Net assets held in trust for pension benefits beginning of year	<u>3,392,426</u>
Net assets held in trust for pension benefits end of year	<u><u>\$3,343,394</u></u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2009

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, 2009

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 and liability 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, 2009

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, 2009

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, permanent water rights, 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, prepaid items and the non-current portion of a note receivable in the governmental activities. The business activities financial statements other assets include debt issue costs.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Claims Payable

Medical, workers compensation, property 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, 2009

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 2009 and 2008. Payments may be made during the period from October 1 through February 28. Current tax collections of \$7,001,251 for the fiscal year ended June 30, 2009 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 \$10,205,162 which is net of an allowance for doubtful collections of \$22,800. Of this receivable amount, \$333,214 represents prior year property taxes, \$7,471,298 represents the estimated net realizable 2009 property taxes and \$2,300,000 represents estimated net realizable 2009 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 \$10,227,962 with an offsetting deferred revenue for amounts not available at June 30, 2009. The additional amount included in taxes receivable reported in the statements of \$123,449 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, 2009 there were no amounts exposed to custodial credit risk.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2009

2) DEPOSITS AND INVESTMENTS (Continued)

Investments

At June 30, 2009, 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	\$ 19,188,479	N/A	N/A
Certificates of Deposit	<u>4,550,000</u>	302	N/A
	23,738,479		
Liquid investments (Cash equivalents)	<u>(19,188,479)</u>		
	\$ <u>4,550,000</u>		
Fiduciary Fund-Pension Fund:			
Government Securities:			
Federal Home Loan Bank	\$ 537,083	1,988	AAA
Federal Farm Credit Bank	479,906	1,697	AAA
Corporate Obligation	967,918	2,088	AAA-B+
Money Market Fund	396,359	N/A	N/A
Mutual Funds Equity	<u>931,626</u>	N/A	N/A
	\$ <u>3,312,892</u>		

Interest Rate Risk:

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

Credit Risk:

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

Concentration of Credit Risk:

The Town policy is to limit investments in the pension plan to a maximum of 40% equity classified investments. As of June 30, 2009, the Town had two investments in an organization that represents 5 per cent or more of total investments.

Federal Home Loan Bank	\$ 537,083
Federal Farm Credit Bank	479,906

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2009

3) CAPITAL ASSETS

Governmental Activities

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Increases	Reclasses & Decreases	Balance June 30, 2009
<u>Capital assets not being depreciated:</u>				
Land	\$ 4,639,676	1,452	(22,828)	4,618,300
Construction in progress	5,994,445	5,038,250	(5,286,727)	5,745,968
<u>Capital assets being depreciated:</u>				
Buildings	22,659,429	22,590	(39,790)	22,642,229
Improvements other than buildings	14,885,681	213,446	1	15,099,128
Equipment	13,963,572	2,252,849	(160,673)	16,055,748
Infrastructure	<u>85,463,590</u>	<u>1,504,875</u>	<u>5,179,412</u>	<u>92,147,877</u>
Total	<u>147,606,393</u>	<u>9,033,462</u>	<u>(330,605)</u>	<u>156,309,250</u>
<u>Accumulated Depreciation</u>				
Buildings	\$ 10,594,623	648,043	(736,631)	10,506,035
Improvements	2,832,805	543,970	1,420,648	4,797,423
Equipment	11,036,014	988,143	(2,154,595)	9,869,562
Infrastructure	<u>25,025,709</u>	<u>2,733,928</u>	<u>1,218,600</u>	<u>28,978,237</u>
Total accumulated depreciation	<u>49,489,151</u>	<u>4,914,084</u>	<u>(251,978)</u>	<u>54,151,257</u>
Governmental activities capital assets-net	\$ <u>98,117,242</u>			<u>102,157,993</u>

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

General Government	\$ 413,559
Public Safety:	
Police	367,842
Fire	363,677
Highways and streets	2,883,501
Stormwater	6,272
Recreation	755,315
Community development	<u>123,918</u>
Total	\$ <u>4,914,084</u>

Current year additions include improvements donated from developers of \$1,504,875.

Business-Type Activities:

Capital assets of the Enterprise Funds consisted of the following at June 30, 2009:

	Balance July 1, 2008	Reclasses & Increases	Reclasses & Decreases	Balance June 30, 2009	Water and Sewer Fund	Gas Fund	Component Unit
<u>Capital assets not being depreciated</u>							
Land and land rights	\$ 1,665,090	-	-	1,665,090	1,457,106	207,984	-
Water rights	-	2,350,000	-	2,350,000	2,350,000		
Construction in progress	3,128,578	2,262,870	(3,448,878)	1,942,570	1,906,096	36,474	-
<u>Capital assets being depreciated</u>							
Utility plant and buildings	148,354,179	3,117,459	3,448,878	154,920,516	136,201,387	18,719,129	3,855,320
Machinery and equipment	6,686,787	939,583	(137,417)	7,488,953	4,144,022	3,344,931	-
<u>Less accumulated depreciation</u>							
Utility plant and buildings	(46,267,379)	(3,589,159)	-	(49,856,538)	(41,980,615)	(7,875,923)	(589,017)
Machinery and equipment	<u>(5,384,937)</u>	<u>(506,193)</u>	<u>137,417</u>	<u>(5,753,713)</u>	<u>(3,151,199)</u>	<u>(2,602,514)</u>	-
Total	\$ <u>108,182,318</u>	<u>4,574,560</u>	-	<u>112,756,878</u>	<u>100,926,797</u>	<u>11,830,081</u>	<u>3,266,303</u>
Current year depreciation					\$ <u>3,322,409</u>	<u>772,943</u>	<u>128,512</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2009

4) RECEIVABLES AND DEFERRED REVENUE

A summary of receivables at June 30, 2009 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	\$ 7,804,512	-	-	-	-	-	7,804,512
Other taxes & in lieu taxes	2,423,449	-	-	-	-	-	2,423,449
Grants receivable	6,633	-	-	-	-	-	6,633
Customer	149,945	-	1,648,884	1,418,690	331,258	164,960	3,713,737
Other governments	2,071,530	20,357	-	-	182,504	-	2,274,391
Less allowance	<u>(22,800)</u>	<u>-</u>	<u>(88,185)</u>	<u>(131,147)</u>	<u>(6,783)</u>	<u>-</u>	<u>(248,915)</u>
	<u>\$ 12,433,269</u>	<u>20,357</u>	<u>1,560,699</u>	<u>1,287,543</u>	<u>506,979</u>	<u>164,960</u>	<u>15,973,807</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 \$198,733. 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 \$503,877, 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 in the governmental activities consists of amounts that are either unearned or unavailable to liquidate liabilities of the current period. At June 30, 2009 the components of deferred revenue were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes (unavailable)	\$ 7,471,298	7,471,298
Delinquent property taxes (unavailable)	-	279,158
Unlevied in lieu of taxes (unavailable)	2,300,000	2,300,000
State and county shared taxes (unavailable)	43,880	1,127,355
Other (unearned)	<u>28,603</u>	<u>28,603</u>
	<u>\$ 9,843,781</u>	<u>11,206,414</u>

Unearned revenue in the business activities relates to unearned sewer billings.

5) RESTRICTED ASSETS

A summary of restricted assets at June 30, 2009 is as follows:

	<u>Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Cash	\$ 116,311	606,636	722,947
Special assessments and other receivable	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total	<u>\$ 123,311</u>	<u>606,636</u>	<u>729,947</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, 2009

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, 2009:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Payable</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
General obligation debt	\$17,054,808	5,346,967	972,992	21,428,783	1,317,040
Compensated absences	<u>1,637,736</u>	<u>1,666,764</u>	<u>1,546,412</u>	<u>1,758,088</u>	<u>1,660,000</u>
Total	18,692,544	7,013,731	2,519,404	23,186,871	<u>2,977,040</u>
Bond premium	<u>33,512</u>	-	<u>3,217</u>	<u>30,295</u>	
	<u>\$18,726,056</u>			<u>23,217,166</u>	
Business-type Activities:					
Revenue and tax bonds	\$20,009,192	<u>12,843,032</u>	<u>10,842,008</u>	22,010,216	<u>2,820,960</u>
Bond discounts		143,208	3,182	140,026	
Deferred amount on refunding	<u>(66,972)</u>	-	33,486	<u>(33,486)</u>	
	<u>\$19,942,220</u>			<u>22,116,756</u>	

Long-term debt payable at June 30, 2009 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.	\$ 1,659,816
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.	422,000
2005 General Obligation Bonds (\$5,000,000) due in annual installments through April 2020 at interest rates from 3.65% to 4.25%.	4,700,000
2006 General Obligation Bonds (\$9,500,000) due in annual installments through June 2022 at interest rates from 3.65% to 3.875%.	9,300,000
2008 General Obligation Bonds (\$5,346,967) due in annual installments through June 2024 at interest rates from 3% to 3.9%.	<u>5,346,967</u>
	<u>\$ 21,428,783</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2009

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.	\$	3,947,184
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.		2,130,000
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%.		3,090,000
2008 General Obligation Bonds (\$4,638,032) due in annual installments through April 2024 at interest rates from 3.25% to 4.5%.		4,638,032
2009 Revenue and Tax Refunding Bonds (\$8,205,000) due in annual installments through June 2024 at interest rates from 3% to 3.9%.		<u>8,205,000</u>
Total Business-type Activities	\$	<u>22,010,216</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>3,895,000</u>
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The annual requirements to amortize all bonds and notes outstanding as of June 30, 2009 including interest payments are as follows:

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Interest</u>	<u>Primary Government Total</u>	<u>Component Unit</u>
2010	\$ 1,325,106	2,812,894	1,656,872	5,794,872	230,250
2011	1,327,714	2,938,286	1,482,817	5,748,817	228,600
2012	1,383,566	2,075,434	1,328,343	4,787,343	231,725
2013	1,439,625	2,151,375	1,186,482	4,777,482	229,625
2014	1,525,235	1,154,765	1,045,671	3,725,671	227,450
2015-2019	8,581,987	5,718,012	3,740,060	18,040,059	1,337,945
2020-2024	5,845,550	5,159,450	1,198,922	12,203,922	1,383,002
2025-2029	-	-	-	-	1,456,358
2030-2034	-	-	-	-	<u>1,457,113</u>
Totals	\$ <u>21,428,783</u>	<u>22,010,216</u>	<u>11,639,167</u>	<u>55,078,166</u>	<u>6,782,068</u>

Refundings

During the fiscal year, the Town transacted a current refunding of the 2004 Water and Sewer Revenue and Tax Bonds. Bonds in the amount of \$8,205,000 along with cash from the Town were used to currently refund \$8,350,000 in bonds.

The refunded debt was variable rate debt and the refunding was undertaken to reduce the Town's exposure to interest rate increase risks. The new debt average interest rate is 3.3848%. Both the refunded and refunding debt terms are through the year 2024.

The amount of defeased bonds outstanding from prior years' refundings is \$2,150,000.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2009

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	15
	b.) Terminated Employees Entitled to Deferred Benefits	<u>10</u>
	c.) Total	<u>25</u>
2.	Active Plan Participants:	
	a.) Vested (Fully and Partially)	35
	b.) Non-vested	<u>-</u>
	c.) Total	<u>35</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, 2009

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	UAAL as a % of Covered Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
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%
07/1/08	3,392,426	4,756,552	1,364,126	71.3%	1,686,800	80.87%

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, 2008 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, 2009 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>
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%
2009	303,353	100.00%

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2009

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 \$865,932 and the employees contributed \$847,871. 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, 2009

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 2009, the Town paid \$137,530 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, 2014 with an option for an additional five year term. 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 2009, the Town paid \$11,360 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 \$24,936 through 2010 and 2014 respectively. The equipment can be purchased at fair market value at end of lease. Total lease expense for 2009 was \$49,967.

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 2009 the Town paid \$16,715.

Contracts:

At June 30, 2009, the Town had substantially completed all general government and utility construction projects.

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, 2009

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, 2009, the Authority had net assets of \$30,157,646. Net operating losses for the 2009 and 2008 fiscal years were \$1,399,207 and \$1,360,936 respectively. During the year, the Town of Smyrna paid a total of \$148,890 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 \$503,877.

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, 2009. The composition of interfund balances at June 30, 2009 were as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$ 54,350	Nonmajor Governmental Funds	
Capital Projects Fund	62,205	Impact Fee Fund	\$ 66,555
		Stormwater Fund	<u>50,000</u>
		Total Nonmajor Governmental Funds	\$ <u>116,555</u>

Internal balances also include \$298,134 related to the consolidation of the internal service fund.

Interfund transfers for the year ended June 30, 2009 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

All interfund payables are expected to be liquidated in the next fiscal year.

	<u>Transfer In:</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental</u>	
Transfer Out:				
Gas Fund	\$ 167,650	-	-	167,650
Water and Sewer Fund	412,376	-	-	412,376
General Fund	-	1,654,776	2,311,644	3,966,420
Nonmajor Governmental Funds	-	<u>3,663,836</u>	<u>322,422</u>	<u>3,986,258</u>
Totals	\$ <u>580,026</u>	<u>5,318,612</u>	<u>2,634,066</u>	<u>8,532,704</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2009

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 \$7,371 and \$21,851 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, 2009, services to this company accounted for the following percentages of total revenues of the water, sewer and natural gas fund customer revenues.

Gas Fund	27.6%
Water and Sewer Fund	10.9%

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.

Worker's Compensation Insurance Plan

The Town is self insured for its worker's compensation claims up to a limit of \$200,000 per claim. The Town obtained commercial insurance for claims beyond the noted limit. The maximum liability the Town can incur is \$742,500 for all workers' compensation and liability claims during the policy year.

Liability and Property Insurance Plan

The Town is self insured to a limit of \$100,000 per claim for liability claims and \$50,000 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 \$742,500 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, 2009

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>
2006-2007	\$ 425,212	4,183,457	(4,061,089)	547,580
2007-2008	547,580	4,584,977	(4,289,607)	842,950
2008-2009	842,950	6,112,928	(6,042,418)	913,460*

*Medical and workers' compensation claims: \$798,631; Liability claims: \$114,829.

The Town continues to carry commercial insurance for all other risks of loss, such as employee honesty and surety bonds. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14) SUBSEQUENT EVENTS

Subsequent to year end the Town was approved for a \$5,750,000 State Revolving Fund Loan, of which \$2,300,000 of the principal will be forgiven. This loan is at a rate of 2.14% with repayment over 20 years. This loan will fund the construction of a tank and lines for wastewater repurification. The Town also anticipates issuing \$18,500,000 in water and sewer revenue and tax bonds and \$3,050,000 in general obligation bonds prior to the end of calendar year 2009, with repayment over 15 years. These bonds will fund an expansion to the water plant, sewer line rehabilitation, a fire truck and various road and sidewalk projects.

15) FUND DEFICIT

The Capital Projects Fund ended the fiscal year with a fund deficit of \$11,899. This deficit is expected to be liquidated in the next fiscal year. The ultimate responsibility of the deficit is the General Fund.

The component unit, Industrial Development Fund, ended the fiscal year with a net asset deficit of \$489,350. 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:

2010	\$ 230,520
2011	228,600
2012	231,725
2013	229,625
2014	227,450
thereafter	<u>5,634,148</u>
	<u>\$ 6,782,068</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2009

16) **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 1, 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 citizen 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 \$18,511 and the Capital Projects Funds expenditure budget was increased by \$47,366. Nonmajor governmental fund expenditures budgets were increased by \$65,500.

**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, 2009

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	\$52,163	133,525	310,514	2,294,832	5,504	-	2,796,538
Investments	-	-	-	1,250,000	-	-	1,250,000
Due from other governments	346	182,158	-	-	-	-	182,504
Receivables	-	82	2,406	11,667	310,320	-	324,475
Prepaid items	-	-	10,348	-	-	-	10,348
Inventory	-	-	31,552	-	-	-	31,552
Total Assets	\$52,509	315,765	354,820	3,556,499	315,824	-	4,595,417
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$2,319	38,630	20,154	439,647	12,588	-	513,338
Accrued liabilities	-	-	45,226	-	12,540	-	57,766
Contract payable	-	-	-	133,561	-	-	133,561
Due to other funds	-	-	-	66,555	50,000	-	116,555
Deferred revenue	-	89,617	-	-	-	-	89,617
Total Liabilities	2,319	128,247	65,380	639,763	75,128	-	910,837
Fund balance:							
Reserved for inventory and prepaids	-	-	41,900	-	-	-	41,900
Unreserved, undesignated	50,190	187,518	247,540	2,916,736	240,696	-	3,642,680
Total Fund Balance	50,190	187,518	289,440	2,916,736	240,696	-	3,684,580
Total Liabilities and Fund Balance	\$52,509	315,765	354,820	3,556,499	315,824	-	4,595,417

TOWN OF SMYRNA, TENNESSEE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2009

	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	\$ -	1,000,879	-	-	-	-	1,000,879
Total Intergovernmental	-	1,000,879	-	-	-	-	1,000,879
Licenses and permits	-	-	-	2,641,476	-	-	2,641,476
Fines, forfeitures and seizures	127,120	-	-	-	-	-	127,120
Uses of Money and Property:							
Interest	153	4,030	-	54,605	148	-	58,936
Golf fees, stormwater fees, rental, and sales	-	-	1,101,811	-	1,201,498	-	2,303,309
Total Uses of Money and Property	153	4,030	1,101,811	54,605	1,201,646	-	2,362,245
Total Revenues	127,273	1,004,909	1,101,811	2,696,081	1,201,646	-	6,131,720
Expenditures:							
Current:							
Drug enforcement	87,237	-	-	-	-	-	87,237
Recreation and culture	-	-	1,292,190	-	-	-	1,292,190
Stormwater	-	-	-	-	509,868	-	509,868
Highways and streets	-	866,429	-	-	-	-	866,429
Total Current	87,237	866,429	1,292,190	-	509,868	-	2,755,724
Debt service	-	-	-	-	-	1,628,066	1,628,066
Capital outlay	-	-	-	-	-	-	-
Total Expenditures	87,237	866,429	1,292,190	-	509,868	1,628,066	4,383,790
Excess (deficiency) of revenues over expenditures	40,036	138,480	(190,379)	2,696,081	691,778	(1,628,066)	1,747,930
Other Financing Sources (Uses):							
Transfer to Debt Service Fund	-	(322,422)	-	-	-	-	(322,422)
Transfer from General Fund	-	-	792,000	-	214,000	1,305,644	2,311,644
Transfer from State Street Aid Fund	-	-	-	-	-	322,422	322,422
Transfer to Capital Projects Fund	-	-	(67,275)	(3,410,806)	(185,755)	-	(3,663,836)
Total Other Financing Sources (Uses)	-	(322,422)	724,725	(3,410,806)	28,245	1,628,066	(1,352,192)
Net change in fund balance	40,036	(183,942)	534,346	(714,725)	720,023	-	395,738
Fund balance, beginning of year	10,154	371,460	(244,906)	3,631,461	(479,327)	-	3,288,842
Fund balance, end of year	\$50,190	187,518	289,440	2,916,736	240,696	-	3,684,580

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines forfeitures and seizures	\$73,000	83,500	127,120	43,620
Interest	350	350	153	(197)
Total Revenue	73,350	83,850	127,273	43,423
Expenditures:				
Current:				
Miscellaneous:				
Drug enforcement	77,500	88,000	87,237	763
Total Current	77,500	88,000	87,237	763
Capital outlay	-	-	-	-
Total Expenditures	77,500	88,000	87,237	763
Excess (deficiency) of revenues over expenditures	(4,150)	(4,150)	40,036	44,186
Net change in fund balance	(4,150)	(4,150)	40,036	44,186
Fund balance, beginning of year	10,154	10,154	10,154	-
Fund balance, end of year	\$6,004	6,004	50,190	44,186

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Intergovernmental:				
State gasoline and motor fuel tax and fees	\$930,000	985,000	1,000,879	15,879
Uses of Money and Property:				
Interest	9,600	9,600	4,030	(5,570)
Total Revenues	939,600	994,600	1,004,909	10,309
Expenditures:				
Current:				
Street maintenance - repairs	435,000	435,000	429,860	5,140
Lighting	275,000	330,000	382,150	(52,150)
Signals	105,000	105,000	54,419	50,581
Total Current	815,000	870,000	866,429	3,571
Capital outlay	-	-	-	-
Total Expenditures	815,000	870,000	866,429	3,571
Excess (deficiency) of revenues over expenditures	124,600	124,600	138,480	13,880
Other Financing Sources (Uses):				
Transfer to Debt Service Fund	(349,248)	(349,248)	(322,422)	26,826
Net change in fund balance	(224,648)	(224,648)	(183,942)	40,706
Fund balance, beginning of year	371,460	371,460	371,460	-
Fund balance, end of year	\$146,812	146,812	187,518	40,706

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Uses of money and property:				
Course fees	\$668,500	668,500	618,140	(50,360)
Snack bar sales	145,000	145,000	124,831	(20,169)
Golf shop sales	95,000	95,000	70,885	(24,115)
Cart and locker rentals	263,450	263,450	256,896	(6,554)
Other	10,200	10,200	31,059	20,859
Total Revenues	1,182,150	1,182,150	1,101,811	(80,339)
Expenditures:				
Recreation and culture:				
Current:				
Salaries	611,310	611,310	564,459	46,851
Benefits and payroll taxes	228,510	228,510	204,574	23,936
Memberships and testing	4,905	4,905	4,707	198
Telephone and utilities	39,500	39,500	46,676	(7,176)
Repairs and maintenance	35,200	35,200	30,990	4,210
Outside services	13,200	13,200	13,321	(121)
Supplies	37,600	37,600	30,362	7,238
Snack bar resale items	75,000	75,000	74,507	493
Golf resale items	70,000	70,000	52,702	17,298
Chemicals	60,000	60,000	56,923	3,077
Insurance	6,490	6,490	6,490	-
Land and equipment rental	203,531	203,531	203,896	(365)
Other	2,175	2,175	2,583	(408)
Total Current	1,387,421	1,387,421	1,292,190	95,231
Capital Outlay	-	-	-	-
Total Expenditures	1,387,421	1,387,421	1,292,190	95,231
Excess (deficiency) of revenues over expenditures	(205,271)	(205,271)	(190,379)	14,892
Other Financing Sources (Uses):				
Transfer from General Fund	792,000	792,000	792,000	-
Transfer to Capital Projects Fund	(85,000)	(85,000)	(67,275)	17,725
Total Other Financing Sources (Uses)	707,000	707,000	724,725	17,725
Net change in fund balance	501,729	501,729	534,346	32,617
Fund balance, beginning of year	(244,906)	(244,906)	(244,906)	-
Fund balance, end of year	\$256,823	256,823	289,440	32,617

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$1,510,000	1,510,000	2,641,476	1,131,476
Uses of Money and Property:				
Interest	38,000	38,000	54,605	16,605
Total Revenue	1,548,000	1,548,000	2,696,081	1,148,081
Expenditures:	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	1,548,000	1,548,000	2,696,081	1,148,081
Other Financing Sources (Uses):				
Transfers to Capital Project Fund	(2,531,832)	(3,603,037)	(3,410,806)	192,231
Total Other Financing Sources (Uses)	(2,531,832)	(3,603,037)	(3,410,806)	192,231
Net change in fund balance	(983,832)	(2,055,037)	(714,725)	1,340,312
Fund balance, beginning of year	3,631,461	3,631,461	3,631,461	-
Fund balance, end of year	\$2,647,629	1,576,424	2,916,736	1,340,312

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, 2009

	Budgeted Amounts		Actual	Variance with
Revenues:	Original	Final	Amounts	Final Budget Positive (Negative)
Uses of Money and Property:				
Interest	\$ -	-	148	148
Fees	1,573,118	1,573,118	1,201,498	(371,620)
Total Revenue	1,573,118	1,573,118	1,201,646	(371,472)
Expenditures:				
Stormwater:				
Salaries	239,220	239,220	224,107	15,113
Benefits and payroll taxes	111,760	111,760	96,666	15,094
Memberships and registrations	3,300	3,300	2,884	416
Telephone	540	540	602	(62)
Supplies	8,600	8,600	6,688	1,912
Professional services	200,300	200,300	171,565	28,735
Other	29,865	29,865	7,356	22,509
Total Expenditures	593,585	593,585	509,868	83,717
Excess (deficiency) of revenues over expenditures	979,533	979,533	691,778	(287,755)
Other Financing Sources (Uses):				
Transfers from General Fund	-	-	214,000	214,000
Transfers to Capital Project Fund	(693,226)	(693,226)	(185,755)	507,471
Total Other Financing Sources (Uses)	(693,226)	(693,226)	28,245	721,471
Net change in fund balance	286,307	286,307	720,023	433,716
Fund balance, beginning of year	(479,327)	(479,327)	(479,327)	-
Fund balance, end of year	(\$193,020)	(193,020)	240,696	433,716

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental :				
Grants - state and federal	\$533,900	649,740	23,557	(626,183)
Uses of Money and Property:				
Interest	-	-	10,406	10,406
Total Revenue	533,900	649,740	33,963	(615,777)
Expenditures:				
Recreation and Culture:				
Current				
Supplies	170,000	170,000	24,671	145,329
Capital outlay	6,191,549	6,191,549	783,529	5,408,020
Community Development:				
Current				
Supplies	10,000	10,000	8,200	1,800
Capital outlay	272,222	272,222	88,743	183,479
Highways and Streets:				
Current				
Supplies	110,000	110,000	73,174	36,826
Capital outlay	8,381,200	8,497,040	4,619,387	3,877,653
Public Safety:				
Current				
Supplies - fire	100,000	100,000	63,269	36,731
Supplies - police	92,686	92,686	67,190	25,496
Capital outlay - fire	1,859,748	1,791,274	1,288,857	502,417
Capital outlay - police	410,000	410,000	409,410	590
Stormwater				
Current				
Supplies	10,000	10,000	9,760	240
Capital outlay	683,226	683,226	175,995	507,231
General Government:				
Current				
Supplies	150,000	150,000	145,446	4,554
Capital outlay	4,218,474	4,218,474	162,666	4,055,808
Total Expenditures	22,659,105	22,706,471	7,920,297	14,786,174
Excess (deficiency) of revenues over expenditures	(22,125,205)	(22,056,731)	(7,886,334)	14,170,397
Other Financing Sources:				
General obligation bond issuance	17,610,079	16,470,400	5,346,967	(11,123,433)
Transfers from Golf Course Fund	85,000	85,000	67,275	(17,725)
Transfers from Impact Fee Fund	2,531,832	3,603,037	3,410,806	(192,231)
Transfers from Stormwater Fund	693,226	693,226	185,755	(507,471)
Transfers from General Fund	1,205,068	1,205,068	1,654,776	449,708
Total Other Financing Sources	22,125,205	22,056,731	10,665,579	(11,391,152)
Net change in fund balance	-	-	2,779,245	2,779,245
Fund balance, beginning of year	(2,791,144)	(2,791,144)	(2,791,144)	-
Fund balance, end of year	(2,791,144)	(2,791,144)	(11,899)	2,779,245

TOWN OF SMYRNA, TENNESSEE

Schedule of Cash Flow

Proprietary Fund Type - Component Unit

Industrial Development Fund

For the Year Ended June 30, 2009

Cash Flows from Operating Activities:	
Cash received from customers	\$231,350
Net Cash Provided (Used) by Operating Activities	<u>231,350</u>
Cash Flows from Capital and Related Financing Activities:	
Interest paid on debt	(176,762)
Payments on long-term debt	<u>(55,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(231,762)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>278</u>
Net Cash Provided (Used) by Investing Activities	<u>278</u>
Net Increase (Decrease) in Cash	(134)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>46,606</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u><u>\$46,472</u></u>
 <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>	
Operating income (loss)	\$98,448
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	<u>132,902</u>
Net Cash Provided (used) for Operating Activities	<u><u>\$231,350</u></u>

TOWN OF SMYRNA, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2009

Function and Activity	Land	Buildings & Improvements	Improvements Other Than Buildings	Equipment	Infrastructure	Construction In Progress	Total
General government	\$1,570,040	5,575,456	860,062	2,904,456	169,957	21,777	11,101,748
Public safety:							
Police	216,060	3,624,245	-	3,725,930	-	-	7,566,235
Fire	155,690	4,925,574	110,829	4,517,651	-	-	9,709,744
Highways and streets	521,068	177,628	1,771,005	2,136,021	90,798,731	4,874,710	100,279,163
Stormwater	-	-	-	70,440	-	47,297	117,737
Recreation	2,155,442	5,054,601	12,357,232	2,546,809	1,179,189	802,184	24,095,457
Community development	-	3,284,725	-	154,441	-	-	3,439,166
Total governmental capital assets	<u>\$4,618,300</u>	<u>22,642,229</u>	<u>15,099,128</u>	<u>16,055,748</u>	<u>92,147,877</u>	<u>5,745,968</u>	<u>156,309,250</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, 2009

Function and Activity	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
General government	\$10,845,460	162,666	124,468	10,883,658
Public safety:				
Police	7,293,693	409,410	136,868	7,566,235
Fire	8,414,831	1,288,857	-	9,703,688
Highways and streets	94,109,989	6,124,262	-	100,234,251
Stormwater	32,342	175,995	-	208,337
Recreation	23,559,654	783,529	69,269	24,273,914
Community development	3,350,424	88,743	-	3,439,167
Total governmental capital assets	<u>\$147,606,393</u>	<u>9,033,462</u>	<u>330,605</u>	<u>156,309,250</u>

TOWN OF SMYRNA, TENNESSEE
Schedule of Cash and Cash Equivalents

All Funds

June 30, 2009

Major Governmental Funds

<u>Type of Investment or Account</u>	<u>Interest Rate</u>	<u>Amount</u>
<u>General Fund:</u>		
Demand deposits and savings	Various	\$1,799,113
Local Government Investment Pool	Various	10,584,592
Change funds	-	1,800
Total General Fund		<u>12,385,505</u>
<u>Capital Projects Fund</u>		
Demand deposits and savings	-	381,959
Total Capital Projects Fund		<u>381,959</u>

Nonmajor Governmental Funds

<u>Drug Fund:</u>		
Cash	-	100
Demand deposit	-	52,063
Total Drug Fund		<u>52,163</u>
<u>State Street Aid Fund:</u>		
Local Government Investment Pool	Various	110,727
Demand deposits and savings	Various	22,798
Total State Street Aid Fund		<u>133,525</u>
<u>Golf Course Fund:</u>		
Demand deposits and savings	Various	309,343
Change funds	-	1,171
Total Golf Course Fund		<u>310,514</u>
<u>Impact Fee Fund</u>		
Demand deposits and savings	Various	2,294,832
Total Impact Fee Fund		<u>2,294,832</u>
<u>Stormwater Fund</u>		
Demand deposits and savings	-	5,504
Total Stormwater Fund		<u>5,504</u>

Proprietary Funds

<u>Water and Sewer Fund:</u>		
Demand deposits and savings	Various	1,348,752
Local Government Investment Pool	Various	1,386,176
Change funds	-	600
Total Water and Sewer Fund		<u>2,735,528</u>
<u>Natural Gas Fund:</u>		
Local Government Investment Pool	Various	7,106,984
Demand deposits and savings	Various	4,174,557
Total Natural Gas Fund		<u>11,281,541</u>
<u>Internal Service Fund</u>		
Demand deposits and savings	Various	1,370,044
Total Internal Service Fund		<u>1,370,044</u>
Total Primary Government		<u>\$30,951,115</u>

Component Unit:

<u>Industrial Development Fund</u>		
Demand deposits and savings	-	\$46,472
Total Industrial Development Fund		<u>\$46,472</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Changes in Property Taxes Receivable

General Fund

For the Year Ended June 30, 2009

<u>Fiscal Year</u>	<u>Balance June 30, 2008</u>	<u>Adjustments/ Assessments</u>	<u>Collections</u>	<u>Balance June 30, 2009</u>
2008 - 2009	\$ -	7,224,521	7,001,251	223,270
2007 - 2008	187,197	-	142,543	44,654
2006 - 2007	48,512	-	24,953	23,559
2005 - 2006	7,184	-	2,561	4,623
2004 - 2005	7,431	-	746	6,685
2003 - 2004	8,381	-	460	7,921
2002 - 2003	7,542	-	1,060	6,482
2001 - 2002	9,524	-	257	9,267
2000 - 2001	4,953	-	123	4,830
1999 - 2000	2,010	-	87	1,923
1998 - 1999	3,490	(3,490)	-	-
	<u>\$286,224</u>	<u>7,221,031</u>	<u>7,174,041</u>	333,214
2008 - 2009**				<u>7,471,298</u>
				<u>\$7,804,512</u>

Fiscal year 2005-2006 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, 2009

Year Ending June 30,	1998 Public Building Authority Loan	2001 Public Building Authority Loan	2005 General Obligation Bonds	2006 General Obligation Bonds	2008 General Obligation Bonds	Interest Requirements	Total
2010	\$385,356	422,000	100,000	150,000	267,750	852,682	2,177,788
2011	404,609	-	400,000	250,000	273,105	790,799	2,118,513
2012	424,751	-	400,000	275,000	283,815	735,006	2,118,572
2013	445,100	-	400,000	300,000	294,525	676,887	2,116,512
2014	-	-	430,000	790,000	305,235	616,436	2,141,671
2015	-	-	440,000	820,000	313,267	557,170	2,130,437
2016	-	-	460,000	855,000	332,010	498,214	2,145,224
2017	-	-	500,000	885,000	348,075	437,686	2,170,761
2018	-	-	500,000	920,000	358,785	373,732	2,152,517
2019	-	-	520,000	955,000	374,850	306,020	2,155,870
2020	-	-	550,000	995,000	396,270	234,919	2,176,189
2021	-	-	-	1,030,000	417,690	159,686	1,607,376
2022	-	-	-	1,075,000	439,110	102,489	1,616,599
2023	-	-	-	-	460,530	41,951	502,481
2024	-	-	-	-	481,950	21,687	503,637
	<u>\$1,659,816</u>	<u>422,000</u>	<u>4,700,000</u>	<u>9,300,000</u>	<u>5,346,967</u>	<u>6,405,364</u>	<u>27,834,147</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Maturities of Indebtedness and Interest Requirements

Enterprise Fund

June 30, 2009

Year Ending June 30,	Water and Sewer Fund					Interest Requirements	Total
	Bond Issue						
	1998	2001	2003A	2008	2009		
2010	\$915,644	940,000	300,000	232,250	425,000	804,190	3,617,084
2011	961,391	980,000	310,000	236,895	450,000	692,018	3,630,304
2012	1,009,249	50,000	320,000	246,185	450,000	593,337	2,668,771
2013	1,060,900	55,000	330,000	255,475	450,000	509,595	2,660,970
2014	-	50,000	340,000	264,765	500,000	429,235	1,584,000
2015	-	55,000	355,000	271,732	500,000	392,068	1,573,800
2016	-	-	365,000	287,990	525,000	354,511	1,532,501
2017	-	-	380,000	301,925	525,000	315,330	1,522,255
2018	-	-	390,000	311,215	550,000	274,276	1,525,491
2019	-	-	-	325,150	575,000	231,053	1,131,203
2020	-	-	-	343,730	600,000	200,797	1,144,527
2021	-	-	-	362,310	600,000	167,204	1,129,514
2022	-	-	-	380,890	630,000	130,988	1,141,878
2023	-	-	-	399,470	700,000	91,614	1,191,084
2024	-	-	-	418,050	725,000	47,587	1,190,637
	<u>\$3,947,184</u>	<u>2,130,000</u>	<u>3,090,000</u>	<u>4,638,032</u>	<u>8,205,000</u>	<u>5,233,803</u>	<u>27,244,019</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

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	\$2,525
16.607	Bullet Proof Vest Grant	U.S. Department of Justice	3,023
20.205	Greenways Grant	Federal Highway Administration	14,554
20.600/20.607	Network Coordinator Grant	TN Department of Transportation	20,812
			<u>\$40,914</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, 2009

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

CFDA Number	State Grant Number	Program Name	Grantor Agency	(Accrued) or Deferred Revenue at July 1, 2008	Program Adjustments, Income & Grant Receipts	Expenditures	(Accrued) or Deferred Revenue at June 30, 2009
16.579	2005-DJ-BX-0233 2007-DJ-BX-1001	Edward Byrne Memorial Grant	U.S. Department of Justice	(\$648)	648	2,525	(2,525)
16.607	N/A	Bulletproof Vest Grant	U.S. Department of Justice	(2,364)	5,387	3,023	-
20.205	HPP-7500	Greenways Grant	Federal Highway Administration	-	3,200	14,554	(11,354)
20.600/20.607	Z-08023671 Z-09214405	Network Coordinator Grant	TN department of Transportation	(1,358)	9,060	20,812	(13,110)
Total Federal Assistance				<u>(\$4,370)</u>	<u>18,295</u>	<u>40,914</u>	<u>(26,989)</u>
State Grants:							
	Z-08200968	Aquatic Clean Stream Grant	TN Wildlife Resources Agency	\$0	1,000	1,000	-
Total State Assistance				<u>\$0</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>

This schedule was prepared using the accrual basis of accounting.

TOWN OF SMYRNA, TENNESSEE

Schedule of Utility Data

June 30, 2009

<u>Services</u>	<u>Number of Customers</u>
Water	13,249
Sewer	12,530
Natural Gas	9,502
Fire Hydrants	1,433
 <u>Rates</u>	
Water (in Town)	
First 2,000 gallons	\$6.75
2,001 - 5,000 gallons	2.12/1,000 gallons
5,001 - 10,000 gallons	2.41/1,000 gallons
thereafter	2.70/1,000 gallons
Water (outside Town)	
First 2,000 gallons	\$8.86
2,001 - 5,000 gallons	3.14/1,000 gallons
5,001 - 10,000 gallons	3.57/1,000 gallons
thereafter	4.00/1,000 gallons
Sewer (in Town)	
First 2,000 gallons	\$9.59
thereafter	2.55/1,000 gallons
Sewer (outside Town)	
First 2,000 gallons	\$14.31
thereafter	3.36/1,000 gallons
Natural Gas	
Residential and Small Commercial	\$2.00/first 400 cubic feet
Any excess at current market rate	

TOWN OF SMYRNA, TENNESSEE

Schedule of Unaccounted for Water

June 30, 2009

Water treated and purchased:		
Water pumped (potable)	3,124,671,000	
Water purchased	<u>79,925,680</u>	
Total Water Treated and Purchased		3,204,596,680
Accounted for water:		
Water sold	2,651,465,255	
Metered for consumption(in house usage)	0	
Fire department usage	689,725	
Flushing	33,085,924	
Tank cleaning / Filling	1,650,000	
Street cleaning	0	
Bulk sales	28,850,000	
Water bill adjustments	<u>215,222,548</u>	
Total Accounted for Water		<u>2,930,963,452</u>
Unaccounted for Water		273,633,228
Percent Unaccounted for Water		8.54%

Other See Below

Explanation of other	<table border="0"> <tr> <td>Line repairs</td> <td>61,134,000</td> </tr> <tr> <td>Lift station</td> <td>1,468,000</td> </tr> <tr> <td>WWTP</td> <td>1,800,000</td> </tr> <tr> <td>Fill sewer truck</td> <td><u>86,300</u></td> </tr> <tr> <td></td> <td>64,488,300</td> </tr> </table>	Line repairs	61,134,000	Lift station	1,468,000	WWTP	1,800,000	Fill sewer truck	<u>86,300</u>		64,488,300
Line repairs	61,134,000										
Lift station	1,468,000										
WWTP	1,800,000										
Fill sewer truck	<u>86,300</u>										
	64,488,300										

All amounts included in this schedule are supported by documentation on file at the water system.
 If no support is on file for a line item or if the line item is not applicable, a "0" is shown.