

# 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 <u>July 1, 2008</u>	<u>Increases</u>	Reclasses & <u>Decreases</u>	Balance <u>June 30, 2009</u>
<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 <u>July 1, 2008</u>	Reclasses & <u>Increases</u>	Reclasses & <u>Decreases</u>	Balance <u>June 30, 2009</u>	Water and <u>Sewer Fund</u>	<u>Gas Fund</u>	Component <u>Unit</u>
<u>Capital assets not being depreciated</u>							
Land and land rights	\$ 1,665,090	-	-	1,665,090	1,457,106	207,984	-
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	(5,384,937)	(506,193)	137,417	(5,753,713)	(3,151,199)	(2,602,514)	-
Total	\$ <u>108,182,318</u>	<u>4,574,560</u>	<u>-</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>						
	General Fund	Capital Projects Fund	Water and Sewer Fund	Natural Gas Fund	Nonmajor Funds	Internal Service Fund	Total
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>		
	Water and Sewer Fund	Natural Gas Fund	Total
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 65<sup>th</sup> birthday or the fifth year of participation and (2) the later of the 55<sup>th</sup> 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:

<b>Actuarial Valuation</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)-see Note 1</b>	<b>Unfunded AAL (UAAL)</b>	<b>Annual Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
<b>Date</b>	<b>(a)</b>	<b>(b)</b>	<b>(b-a)</b>	<b>(a/b)</b>	<b>(c)</b>	<b>((b-a)/c)</b>
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 <sup>st</sup> Year Select)	171.00	164.70	138.50	109.70
Estimated Experience (2 <sup>nd</sup> 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.

	Transfer In:			Totals
	General Fund	Capital Project Fund	Nonmajor Governmental	
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.