

**Comprehensive Annual
Financial Report
Fiscal Year Ending
June 30, 2014**

Prepared by the Finance Department

TOWN OF SMYRNA, TENNESSEE

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INTRODUCTORY SECTION

Town Council
Marc Adkins, Vice-Mayor
H. G. Cole
Paul Johns
Lance Lee
Tim Morrell
Rick Wise



Mayor
Mary Esther Reed

Town Manager
Harry Gill

October 27, 2014

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

The Comprehensive Annual Financial Report of the Town of Smyrna, Tennessee (the “Town” or “Town of Smyrna”) for the fiscal year ending June 30, 2014 is hereby submitted as required by state statutes. These statutes require that all general-purpose local governments publish a complete set of audited financial statements.

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

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

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

Profile of the Government

The Town of Smyrna is located in middle Tennessee in the northwestern part of Rutherford County; it has grown 39.1% in the previous ten years. The Town is in close proximity to the southeastern boundary of Metropolitan Nashville-Davidson County and is joined by the City of Murfreesboro on the south. The City of LaVergne is immediately to the northwest of the Town. The incorporated area of the Town covers approximately 29 square miles and serves an estimated population of 42,813.

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

The Town provides a wide range of services characteristic of similar jurisdictions in the state. These services include police and fire protection; the maintenance of highways and streets; parks and recreation; community development; planning and zoning; stormwater; and general administrative services. The Town also operates water, sewer, and natural gas utilities for its residents. Electric power is provided by the Middle Tennessee Electric Membership Cooperative. The Town is also financially accountable for a legally separate industrial development board, which is reported separately within the Town's financial statements. Additional information on this board can be found in the notes to the financial statements on page 29.

The annual budget serves as the foundation for the Town's financial planning and control. The Town maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town's governing body. The legal level of budgetary control is at the department level. Any revision to the total expenditures of any department or transfers between departments must be approved by the Town Council. Additional information concerning the Town's budgetary process can be found on page 48 of this report.

Local Economy

The Town currently enjoys a favorable economic environment and local indicators point to continued stability. The Town enjoys a diversified base of employment from area industries and also serves as a bedroom community to Nashville. The largest single employer is Nissan North America, Inc., a leading manufacturer of vehicles in America. Nissan is also one of Tennessee's largest employers which employs more than 8,000 people with an annual payroll in excess of \$290 million.

The Town continues to see commercial growth within its boundaries. This growth is in both expansion of existing companies and new businesses choosing to locate in Smyrna. Nissan North America-Smyrna has invested in a \$200 million expansion of the paint shop facility and \$1.7 billion into the new battery plant. Motlow State Community College recently completed a \$7.6 million dollar addition that will double its size. Taylor Farms expansion results in a \$5.9 million investment and the creation of 170 new jobs. Other recently completed expansions include Kroger, Goodwill and Premier System Integrators. New businesses that have opened or in the process of opening are Candlewood Hotel, Dairy Queen Grill and Chill, Towne Place Suites and Fresenius Medical Center. Businesses that have been approved by the Planning Commission are

Grace Point Pediatrics, Tennessee College of Applied Technology, Speedway convenience store and Legacy Liquors and convenience store. This growth provides jobs and revenues to the Town.

The local economy has historically remained healthier than the national economy, with the average unemployment rate below the national average. During the past ten years, the unemployment rate for Smyrna has averaged about 5.66%, while the national unemployment rate for the same time period has averaged about 6.73%. The local unemployment rate is expected to decrease in the near future due to continued new business creation.

Long-term Financial Planning

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

Relevant Financial Policies

The Town's Financial, Debt, and Budget Management Policy, as adopted by the Town Council, requires that ending fund balance of the general fund be maintained at a level that equals at least 30 to 35% of the general fund operating revenue. This policy is in place to provide a contingency plan for times of economic downturn or one-time use for capital expansion.

Major Initiatives

The Town's impressive amenities, such as our superior park system, executive and regulation golf courses, extensive greenways, and our forward looking approach to infrastructure improvements, and recruitment of commercial business allow us to continue to live up to our reputation of being one of the top 10 best places to retire by U.S. News and World Report (2008). More recently, Forbes Magazine recognized the Town as one of the top 25 suburbs for retirement touting the Town's cost of living is 11% below the national average (2011).

The Town continues to abide by our Employees' Guiding Principles to remind us that everything we do as an organization and as individual employees of the Town is to benefit the citizens of Smyrna. Management and all employees give particular attention to customer service, respecting all members of the organization, being innovative, financially responsible, and embracing a mentoring mindset.

The Town of Smyrna has recently completed several renovations to the "Depot District", which is the heart of downtown Smyrna. This includes adding additional sidewalks and benches to the area, as well as renovations to the Depot to add restrooms. In addition, a program for citizens to purchase bricks to go in the sidewalk areas to help fund the project has been well received. This is a continuation of a project begun several years ago which added a roundabout at the Washington Street and Front Street intersection, crosswalks, and parking to the area. This has led to increased activity in the area, including "Depot Days", "Simply Smyrna Celebration", and

a farmer's market. It has also led to private investment, with several renovation projects by owners of some of the buildings downtown.

The Town of Smyrna is about to undertake a project to improve the form and function of Lowry Street. The proposal is to rehabilitate and add sidewalks, landscaping, and crosswalks. The project will be developed in several phases, and Phase I is the downtown core of Smyrna. This area is located in a locally designated historic district which also includes area on the southwestern side of the railroad centered around Front Street and the Smyrna Train Depot. The Town desires to continue to bring business to what we have labeled the "Depot District" by making it a more attractive and vibrant area. Phase I of this project will include Lowry Street from Mayfield Drive to Morgan Avenue, which is approximately .87 of a mile. This portion of the project will include removal of the center turn lane from Washington Street to Sam Hager Drive and may also include removal of additional center turn lane sections pending TDOT approval. It will also include installing landscaping and any necessary stormwater infrastructure in place of the removed center turn lane asphalt. The project will also include replacement and/or addition of sidewalks, crosswalks, and reducing vehicular access in strategic locations to increase safety for pedestrian and bicycle traffic.

Public Works is committed to improving the traffic flow in the Town. Several projects are underway to accomplish this. The Town continues to pursue the Federal Highway Administration and Tennessee Department of Transportation regarding the construction of another interchange off Interstate 24 within the Town's corporate boundaries. Providing this additional interchange would allow for a wealth of opportunities for commercial growth while further benefiting our citizens by providing an additional means of accessing Interstate 24. A necessary step prior to the interchange approval involves TDOT studying the Sam Ridley and Lee Victory exits on I-24 to improve traffic flow. TDOT is estimating the study will be completed late 2015. The Florence Road widening to three lanes from Enon Springs East to Wade Herrod will bid by early next year. Other improvements of traffic flows that will begin in 2015 are the widening of Stonecrest at Sam Ridley and intersection improvements of Weakley Lane at Swan Drive. An ITS, intelligent, traffic study, is underway for traffic improvements on Sam Ridley and Nissan/ Lee Victory.

The Town of Smyrna recently completed a major expansion at our Water Treatment Plant. This expansion increased the treatment capacity from 15 million gallons per day (MGD) to 18.3 (MGD) along with several upgrades to the treatment process including state of the art membrane filtration, water softening and hyper-chlorite generation.

The Town has placed into service a Wastewater Effluent Reuse System. This "green" initiative provides non-potable water for irrigation and other purposes to commercial and industrial uses and will be expanded in the future for residential areas. This project also reduces the amount of effluent returned to the Hart's Branch tributary which assists the Wastewater Treatment Plant operations while reduced potable water demands on the treatment of potable water at our Water Treatment Plant. The Town continues to expand and improve its utility infrastructure with the following projects. The town has started the design phase of the Waste Water Treatment Plant expansion. The capacity will go from 5.85 to 9 million gallons a day. The Town is working on a

project consisting of the relocation and upsizing of water, sewer and gas lines in conjunction with the TDOT road widening project from Nissan Drive along SR 266, Jefferson Pike, to the interchange at interstate 840. These infrastructure improvements provides for the opportunity for economic growth and job creation.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Smyrna for its comprehensive annual financial report (CAFR) for the year ended June 30, 2013. The Town of Smyrna has received a Certificate of Achievement for the last twenty six consecutive years (fiscal years ended 1988-2013). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efforts of the members of the Finance Department office staff, Kay Charles, Tammie Mitchell, Beth Morris, Sierra Nolen and Donna Getner, and the cooperation of each of the Town's departments. Specific appreciation is expressed to Finance Manager, Ed Hamblin and Financial Analyst, Danita Hunt, on their preparation and thoroughness throughout the audit process. Credit also must be given to the Mayor and Town Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Smyrna's finances.

Respectfully submitted,



Harry Gil
Town Manager



Rex S. Gaither, CMFO, CPPB
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Smyrna
Tennessee**

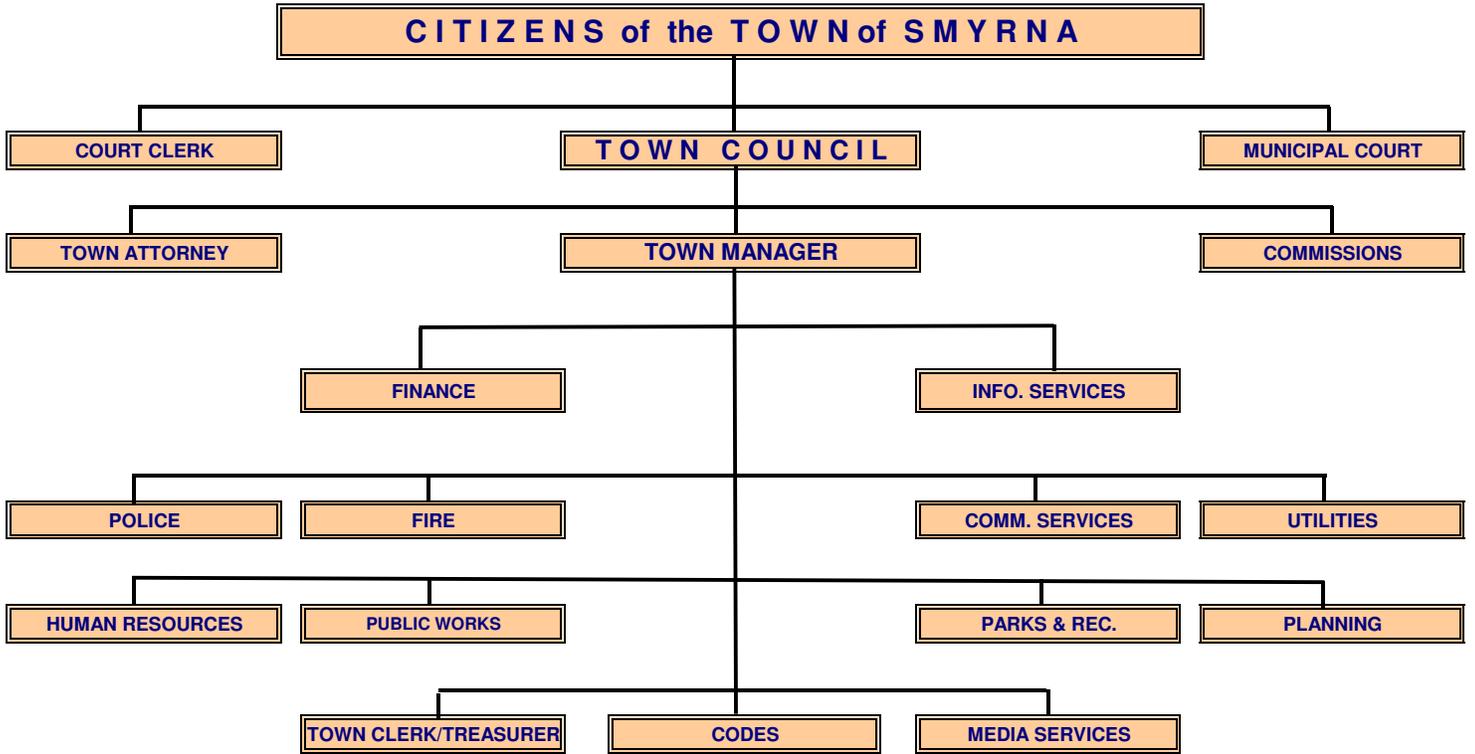
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

ORGANIZATIONAL CHART

July 2013



TOWN OF SMYRNA, TENNESSEE

Town Officials

ELECTED OFFICIALS:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary Esther Reed	Mayor	November 2014
Marc Adkins	Vice Mayor, Councilman	November 2014
Rick Wise	Councilman	November 2014
H. G. Cole	Councilman	November 2014
Tim Morrell	Councilman	November 2016
Paul Johns	Councilman	November 2016
Lance Lee	Councilman	November 2014

APPOINTED OFFICIALS:

		<u>Date of Appointment</u>
Harry Gill*	Town Manager	November 2013
Michael Strange	Director of Utilities	March 2014
Rex S. Gaither**	Director of Finance	November 2010
Kevin Arnold	Chief of Police	December 2006
Bill Culbertson	Fire Chief	January 1993
David King	Director of Public Works	February 2006
Hal Loflin	Director of Community Services	June 1993
Mike Moss	Director of Parks and Recreation	June 2004

*The Town maintains a \$200,000 bond on the Town Manager
**The Town maintains a \$100,000 bond on the Director of Finance.

FINANCIAL SECTION

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

(615) 385-1008
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2014, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 units, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Tennessee as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in 2014, the Town adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to these matters.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 3 through 12, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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, combining and individual nonmajor fund statements and schedules, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements and schedules, are fairly stated in all material respects in relation to the financial statements 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 or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014 on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Smyrna's internal control over financial reporting and compliance.

Yeary Howell & Associates

October 17, 2014

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, 2014. 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 13).

Financial Highlights

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$225,682,887 (net position). Of this amount, \$38,697,532 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$15,109,996.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$28,022,615, an increase of \$4,687,624 in comparison with the prior year. Approximately 67.13% of this total amount, \$18,810,745, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$18,810,745, or 68.70% of total general fund expenditures. This demonstrates the Town's fiscal discipline and places the Town in a financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown in the economy.
- The Town of Smyrna's total bonded debt, notes and lease obligations decreased by \$5,328,946 during the current fiscal year. This was a result of the issuance of \$4,500,000 in new 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 position presents information on all of the Town's assets and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 13-14 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 seven 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 five governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 15-18 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 19-22 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 51-57 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 23-26 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 27-28 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 29-49 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 and deferred inflows of resources by \$225,682,887 at the close of the most recent fiscal year.

Net Position - Primary Government June 30

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 46,144,383	\$ 40,320,055	\$ 21,941,025	\$ 17,117,430	\$ 68,085,408	\$ 57,437,485
Capital Assets	98,570,971	96,172,115	143,360,218	146,458,099	241,931,189	242,630,214
Total Assets	144,715,354	136,492,170	165,301,243	163,575,529	310,016,597	300,067,699
Long-term Liabilities Outstanding	19,749,767	22,044,240	46,752,869	50,245,687	66,502,636	72,289,927
Other Liabilities	2,795,480	2,442,245	2,904,042	2,951,625	5,699,522	5,393,870
Total Liabilities	22,545,247	24,486,485	49,656,911	53,197,312	72,202,158	77,683,797
Unavailable Revenues	12,131,552	11,811,011	-	-	12,131,552	11,811,011
Total Deferred Inflows of Resources	12,131,552	11,811,011	-	-	12,131,552	11,811,011
Net Positions:						
Net Investment in Capital Assets	80,785,740	76,999,847	97,024,340	96,772,588	177,810,080	173,772,435
Restricted	9,175,275	7,628,762	-	-	9,175,275	7,628,762
Unrestricted	20,077,540	15,566,065	18,619,992	13,605,629	38,697,532	29,171,694
Total Net Position	\$ 110,038,555	\$ 100,194,674	\$ 115,644,332	\$ 110,378,217	\$ 225,682,887	\$ 210,572,891

By far the largest portion of the Town of Smyrna's net position 78.79 % 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 position 4.07 % represents resources that are subject to external restrictions on how they may be used. These include net assets restricted for capital projects \$5,513,106, cemetery \$600,822 highways and streets \$259,832, stormwater \$2,718,258 and law enforcement \$83,257. The remaining balance of unrestricted net assets \$38,697,532 may be used to meet the government's ongoing obligations to citizens and creditors.

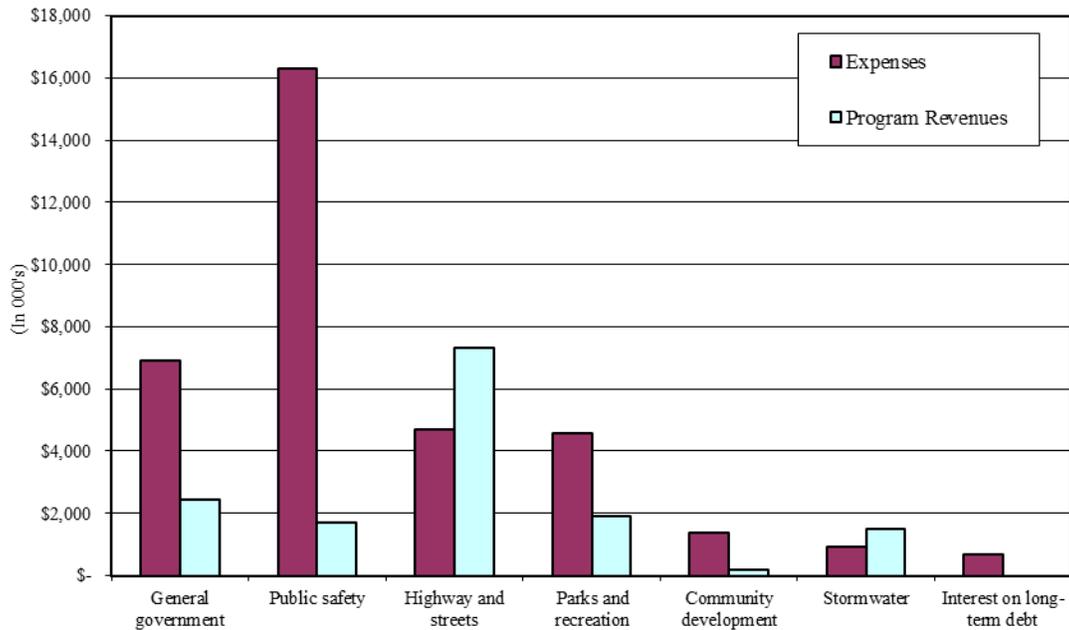
At the end of the current fiscal year, the Town of Smyrna is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the Town of Smyrna’s net position by \$9,843,881. The town’s revenues were \$6,651,396 greater than last year. Revenue showed growth in property tax & in-lieu of tax 21.26%, sales tax 7.66%, other taxes 1.34%, other 19.26% and capital grants & contributions 332.28%. Revenues decreased in operating grants & contributions 12.52%, charges for services 3.8%, and unrestricted investment earnings 88.15%. The town’s expenses were \$804,328 less than last year. Departmental expenses decreased in general government 6.03%, public safety 3.65%, highway and streets 4.08% and interest on long-term debt 7.68%. Departmental expenses increased in parks and recreation 5.74%, community development 8.55% and stormwater 20.26%.

**Changes in Net Position
For the year ended June 30**

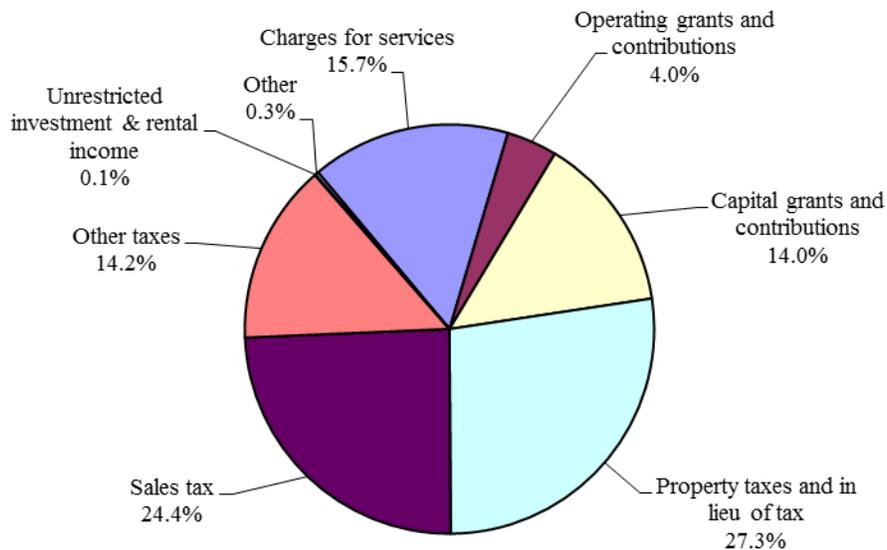
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Charges for services	\$ 7,014,282	\$ 7,291,535	\$ 33,432,956	\$ 28,509,272	\$ 40,447,238	\$ 35,800,807
Operating grants and contributions	1,783,789	2,039,015	-	-	1,783,789	2,039,015
Capital grants and contributions	6,248,860	1,880,582	4,618,920	1,988,624	10,867,780	3,869,206
General revenues:	-	-	-	-	-	-
Property taxes and in lieu of tax	12,183,830	10,047,891	-	-	12,183,830	10,047,891
Sales tax	10,891,630	10,116,499	-	-	10,891,630	10,116,499
Other taxes	6,353,541	6,269,437	-	-	6,353,541	6,269,437
Gain on sale of capital assets	-	-	-	-	-	-
Unrestricted investment earnings	26,664	225,037	27,036	94,510	53,700	319,547
Other	116,408	97,612	3,617	18,775	120,025	116,387
Total Revenues	44,619,004	37,967,608	38,082,529	30,611,181	82,701,533	68,578,789
Expenses:						
General government	6,928,238	7,372,627	-	-	6,928,238	7,372,627
Public safety	16,303,227	16,921,361	-	-	16,303,227	16,921,361
Highway and streets	4,679,915	4,879,112	-	-	4,679,915	4,879,112
Parks and recreation	4,585,924	4,336,852	-	-	4,585,924	4,336,852
Community development	1,380,340	1,271,570	-	-	1,380,340	1,271,570
Stormwater	928,982	772,488	-	-	928,982	772,488
Interest on long-term debt	684,044	740,988	-	-	684,044	740,988
Water and Sewer	-	-	15,235,532	13,499,799	15,235,532	13,499,799
Natural Gas	-	-	16,865,335	12,620,752	16,865,335	12,620,752
Total expenses	35,490,670	36,294,998	32,100,867	26,120,551	67,591,537	62,415,549
Increase in net position before transfers	9,128,334	1,672,610	5,981,662	4,490,630	15,109,996	6,163,240
Transfers	715,547	708,257	(715,547)	(708,257)	-	-
Increase in net position	9,843,881	2,380,867	5,266,115	3,782,373	15,109,996	6,163,240
Net position - beginning	100,194,674	97,813,807	110,378,217	106,595,844	210,572,891	204,409,651
Net position - ending	\$ 110,038,555	\$ 100,194,674	\$ 115,644,332	\$ 110,378,217	\$ 225,682,887	\$ 210,572,891

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 roads and leisure activity.

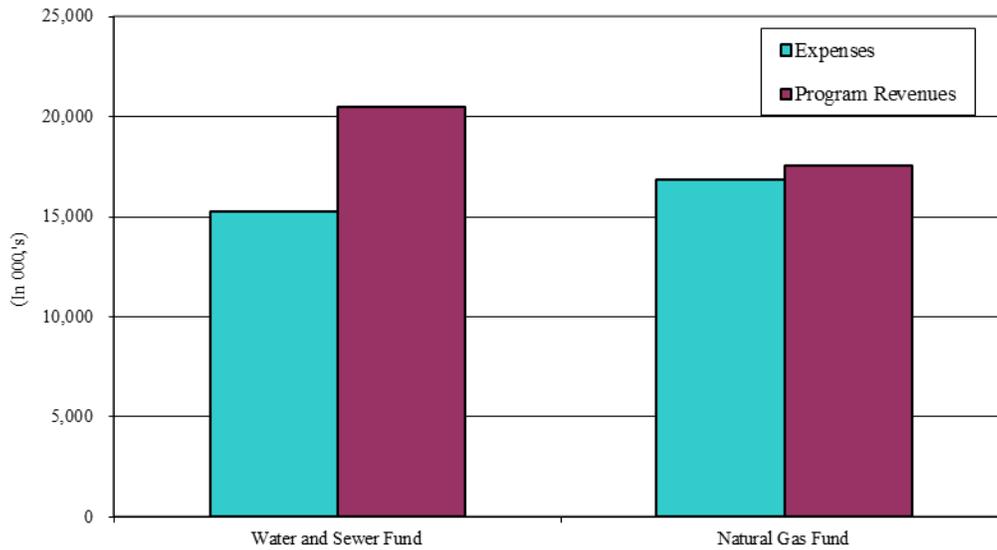
Revenue by Source – Governmental Activities



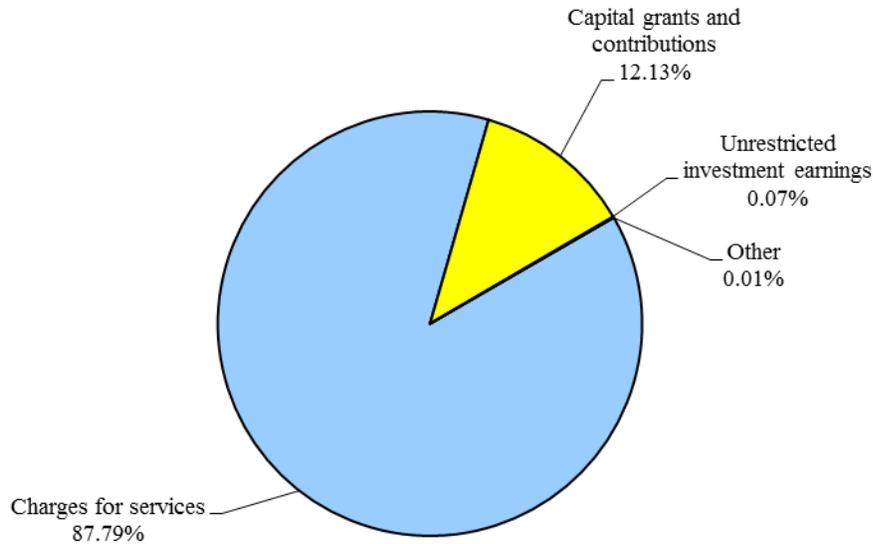
Business-type activities. Business-type activities increased the Town of Smyrna’s net position by \$5,266,115. Key elements of this increase are as follows:

- The business-type activities total revenue increased by \$7,471,348. A severe winter resulted in the increase in sales of natural gas. Tap fees and line donations in water and sewer were also major factors for the increase.
- The business-type activities total expenses increased by \$5,980,316. A severe winter caused the consumption of natural gas to rise significantly. Plant capital assets in water and sewer being placed into service resulted in depreciation and amortization expense rising significantly.

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, unassigned fund balance serves 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 \$28,022,615, an increase of \$4,687,624 in comparison with the prior year. Approximately 67% of this total amount \$18,810,745 constitutes unassigned 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 restrictions \$9,115,027 and prepaid items and inventory \$96,843.

The general fund is the chief operating fund of the Town of Smyrna. The general fund balance increased by \$3,593,570 during the current fiscal year. At the end of the current fiscal year, unassigned fund balance of the general fund was \$18,810,745, while total fund balance was \$19,508,410. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 69 percent of total general fund expenditures, while total fund balance represents 71 percent of that same amount.

The capital projects fund has a total fund balance of \$420,020. There was no net increase or decrease in fund balance during the current 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 \$7,464,805 and those for the Natural Gas Fund amounted to \$10,155,539. The change in unrestricted net position for the funds was an increase of \$4,008,504 and of \$976,691, 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 \$13,302 increase in appropriations between the original and final amended general fund expenditure budget and can be summarized with the following increase:

- \$11,152 supplemental amendment to fund overtime for the police department.
- \$2,150 supplemental amendment to fund over-time salaries for the traffic court department \$600 and the public works department \$900. Contributions to non-profits was supplemented for a donation to the Rutherford County Emergency Management Agency in the amount of \$650.

These supplemental amendments were funded from an increase in grant revenue of \$11,152 and business tax revenue of \$2,150.

Additional information about the budget process can be found in Note 16, on page 47 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, 2014 amounts to \$241,931,189 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water, sewer and gas system, construction in progress, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the Town of Smyrna’s investment in capital assets for the current fiscal year was 0.29 percent, a 2.49 percent increase for governmental activities and a 2.41 percent decrease for business-type activities.

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

- Phase 1 of the OSSI operating system for the police department was completed ; which amounted to \$534,204 for the fiscal year.
- The development of “The Summit” business park continued; which amounted to \$408,203 for the year.
- The installation of a traffic signal at Morton and Almadale Road was completed; which amounted to \$216,552 for the year.
- The installation of a traffic signal at Enon Springs and Nissan Gate 9 was completed; which amounted to \$102,073 for the year.
- Purchased 5 patrol vehicles. This purchase resulted in an increase in equipment of \$127,217.
- Improvements were made to existing recreational facilities for the parks department. This purchase amounted to \$155,591 for the year.
- Storm water drainage improvements were completed; which amounted to \$61,735 for the year.
- Design phase of the Waster Water Treatment Plant started; which amounted to \$27,912 for the fiscal year.
- Design phase of the Jefferson Pike water line replacement and extension started; which amounted to \$32,236 for the fiscal year.
- Design phase of the Jefferson Pike sewer line replacement and extension started; which amounted to \$23,104 for the fiscal year.
- Design phase of the Jefferson Pike natural gas line replacement and extension started; which amounted to \$17,395 for the fiscal year.
- There were developer donations of water and sewer improvements for \$2,339,315 and general government activities’ street infrastructure in the amount of \$5,298,687.

Capital Assets (net of accumulated depreciation) June 30

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,532,688	\$ 5,532,688	\$ 1,681,903	\$ 1,681,903	\$ 7,214,591	\$ 7,214,591
Water rights	-	-	2,350,000	2,350,000	2,350,000	2,350,000
Buildings and system	11,764,564	12,201,269	139,022,083	141,589,886	150,786,647	153,791,155
Improvements other than buildings	8,408,231	8,882,049	-	-	8,408,231	8,882,049
Machinery and equipment	4,871,269	5,112,555	133,938	323,713	5,005,207	5,436,268
Infrastructure	64,714,521	61,962,489	-	-	64,714,521	61,962,489
Construction in progress	3,279,698	2,481,065	172,294	512,597	3,451,992	2,993,662
Total Assets, net	\$ 98,570,971	\$ 96,172,115	\$ 143,360,218	\$ 146,458,099	\$ 241,931,189	\$ 242,630,214

Additional information on the Town’s capital assets can be found in Note 3 on page 36-37 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Smyrna had total bonded debt, revolving loan and capital lease obligations outstanding of \$63,537,581. Of this amount, \$17,754,788 is debt backed by the full faith and credit of the government; \$45,782,793 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, Revenue Bonds, Loans and Leases
June 30**

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 17,733,396	\$ 19,636,051	\$ -	\$ -	\$ 17,733,396	\$ 19,636,051
Capital lease	21,392	43,328	-	-	21,392	43,328
Obligation to county	-	539,519	-	-	-	539,519
Revenue and tax bonds	-	-	42,407,463	45,652,228	42,407,463	45,652,228
Revolving loan	-	-	3,375,330	3,534,880	3,375,330	3,534,880
Total	\$ 17,754,788	\$ 20,218,898	\$ 45,782,793	\$ 49,187,108	\$ 63,537,581	\$ 69,406,006

The Town of Smyrna’s total bonded debt decreased by \$5,328,906 (9.24%) during the current fiscal year. This was a result of the issuance of \$4,500,000 in new debt and the payment of current debt owed.

The Town of Smyrna was upgraded to a “AA+” rating from Standard and Poor’s and maintained an “Aa2” 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 6.28% of assessed property value.

Additional information on the Town of Smyrna’s long-term debt can be found in Note 6 on pages 38-40 of this report.

Economic Factors and Next Year’s Budgets and Rates

- Management believes unemployment in the area will continue to decrease due to the economic recovery.
- Property tax collections were more than in the previous year.
- 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.
- State shared taxes were slightly more than in the previous year.
- The economic recovery from the downturn seems to be on a slow but steady path upward.
- A surplus of \$349,216 is projected for the General Fund in the 2015 fiscal year.

These factors were considered in preparing the Town of Smyrna’s budget for the 2015 fiscal year.

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
315 South Lowry
Smyrna, Tennessee 37167
E-mail: rex.gaither@townofsmyrna.org

TOWN OF SMYRNA, TENNESSEE

Statement of Net Position

June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business Activities	Total	Industrial Development Fund	Charity Assistance Fund
Assets					
Cash and cash equivalents	\$30,427,981	15,577,020	46,005,001	62,380	18,083
Receivables (net of allowance for uncollectibles)					
Property taxes	9,264,737	-	9,264,737	-	-
Other taxes	3,285,961	-	3,285,961	-	-
Due from other governments	3,553,752	2,866	3,556,618	-	-
Accounts receivable	487,608	3,122,674	3,610,282	-	-
Inventories, at cost	94,684	558,027	652,711	-	-
Internal balances	(996,947)	996,947	-	-	-
Restricted assets:					
Cash and equivalents - customer and developer deposits	-	897,516	897,516	-	-
Cash-bond proceeds	-	416,991	416,991	-	-
Note receivable	-	368,984	368,984	-	-
Prepaid items	10,874	-	10,874	-	-
Other assets	15,733	-	15,733	-	-
Non-depreciable capital assets	8,812,386	4,204,197	13,016,583	-	-
Depreciable capital assets (net of accumulated depreciation)	89,758,585	139,156,021	228,914,606	2,623,748	-
Total Assets	<u>\$144,715,354</u>	<u>165,301,243</u>	<u>310,016,597</u>	<u>2,686,128</u>	<u>18,083</u>
Liabilities					
Accounts payable	\$1,847,512	1,316,089	3,163,601	-	-
Accrued liabilities	781,920	490,882	1,272,802	-	-
Interest payable	135,744	199,555	335,299	13,861	-
Unearned revenue	30,304	-	30,304	-	-
Liabilities payable from restricted assets	-	897,516	897,516	-	-
Long-term liabilities due within one year	3,985,752	3,509,705	7,495,457	60,000	-
Long-term liabilities due in more than one year	15,764,015	43,243,164	59,007,179	3,545,000	-
Total Liabilities	<u>22,545,247</u>	<u>49,656,911</u>	<u>72,202,158</u>	<u>3,618,861</u>	<u>-</u>
Deferred Inflows of Resources					
Deferred revenues	12,131,552	-	12,131,552	-	-
Net Position					
Net investment in capital assets	80,785,740	97,024,340	177,810,080	(981,252)	-
Restricted					
Cemetery maintenance	600,822	-	600,822	-	-
Street maintenance	259,832	-	259,832	-	-
Law enforcement	83,257	-	83,257	-	-
Stormwater	2,718,258	-	2,718,258	-	-
Capital projects	5,513,106	-	5,513,106	-	-
Unrestricted	20,077,540	18,619,992	38,697,532	48,519	18,083
Total Net Position	<u>\$110,038,555</u>	<u>115,644,332</u>	<u>225,682,887</u>	<u>(932,733)</u>	<u>18,083</u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2014

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating	Capital	Primary Government		Industrial Development Fund	Charity Assistance Fund	
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities			Total
Primary Government:									
Governmental Activities:									
General government	\$6,928,238	2,408,583	20,625	-	(4,499,030)	-	(4,499,030)	-	-
Public safety:									
Police	8,445,483	1,415,946	53,657	51,791	(6,924,089)	-	(6,924,089)	-	-
Fire	7,857,744	-	37,800	159,410	(7,660,534)	-	(7,660,534)	-	-
Highways and streets	4,679,915	-	1,671,707	5,652,957	2,644,749	-	2,644,749	-	-
Recreation	4,585,924	1,525,046	-	384,702	(2,676,176)	-	(2,676,176)	-	-
Community Development	1,380,340	172,812	-	-	(1,207,528)	-	(1,207,528)	-	-
Stormwater	928,982	1,491,895	-	-	562,913	-	562,913	-	-
Interest expense on long-term debt	684,044	-	-	-	(684,044)	-	(684,044)	-	-
Total Government Activities	<u>35,490,670</u>	<u>7,014,282</u>	<u>1,783,789</u>	<u>6,248,860</u>	<u>(20,443,739)</u>	<u>-</u>	<u>(20,443,739)</u>	<u>-</u>	<u>-</u>
Business-type Activities									
Water and Sewer	15,235,532	15,917,871	-	4,563,075	-	5,245,414	5,245,414	-	-
Natural Gas	16,865,335	17,515,085	-	55,845	-	705,595	705,595	-	-
Total Business-type Activities	<u>32,100,867</u>	<u>33,432,956</u>	<u>-</u>	<u>4,618,920</u>	<u>-</u>	<u>5,951,009</u>	<u>5,951,009</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$67,591,537</u>	<u>40,447,238</u>	<u>1,783,789</u>	<u>10,867,780</u>	<u>(20,443,739)</u>	<u>5,951,009</u>	<u>(14,492,730)</u>	<u>-</u>	<u>-</u>
Component Unit:									
Industrial Development Fund	295,774	234,000	-	-	-	-	-	(61,774)	-
Charity Assistance Fund	36,900	-	54,941	-	-	-	-	-	18,041
Total Component Units	<u>\$332,674</u>	<u>234,000</u>	<u>54,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,774)</u>	<u>18,041</u>
General Revenues:									
Property taxes and in lieu of tax					\$12,183,830	-	12,183,830	-	-
Sales taxes					10,891,630	-	10,891,630	-	-
Business tax					1,142,163	-	1,142,163	-	-
Wholesale beer tax					1,140,276	-	1,140,276	-	-
Hotel / Motel Tax					412,285	-	412,285	-	-
Cable TV Franchise Tax					516,136	-	516,136	-	-
Unrestricted other locally assessed taxes					26,565	-	26,565	-	-
State shared unrestricted taxes:									
State shared income tax					106,200	-	106,200	-	-
State shared beer tax					18,915	-	18,915	-	-
State shared sales tax					2,855,975	-	2,855,975	-	-
State shared mixed drink tax					107,223	-	107,223	-	-
Other unrestricted other state shared taxes					27,803	-	27,803	-	-
Unrestricted investment earnings					26,664	27,036	53,700	9	42
Other					116,408	3,617	120,025	-	-
Transfers					<u>715,547</u>	<u>(715,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>30,287,620</u>	<u>(684,894)</u>	<u>29,602,726</u>	<u>9</u>	<u>42</u>
Change in net position					9,843,881	5,266,115	15,109,996	(61,765)	18,083
Net position - beginning of year					<u>100,194,674</u>	<u>110,378,217</u>	<u>210,572,891</u>	<u>(870,968)</u>	<u>-</u>
Net position - end of year					<u>\$110,038,555</u>	<u>115,644,332</u>	<u>225,682,887</u>	<u>(932,733)</u>	<u>18,083</u>

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2014

<u>Assets</u>	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$18,389,853	881,701	7,983,096	27,254,650
Receivables (net of allowance for uncollectibles)				
Property taxes	9,320,940	-	-	9,320,940
Other taxes	3,285,961	-	-	3,285,961
Due from other governments	3,184,991	181,158	187,603	3,553,752
Accounts receivable	209,378	-	196,863	406,241
Due from other funds	1,805	-	896	2,701
Inventory of supplies	85,969	-	-	85,969
Prepaid items	10,874	-	-	10,874
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$34,489,771</u>	<u>1,062,859</u>	<u>8,368,458</u>	<u>43,921,088</u>
<u>Liabilities</u>				
Accounts payable	\$400,329	642,839	170,456	1,213,624
Accrued costs	770,596	-	11,324	781,920
Unearned revenue	30,304	-	-	30,304
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>1,201,229</u>	<u>642,839</u>	<u>181,780</u>	<u>2,025,848</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenues	<u>13,780,132</u>	<u>-</u>	<u>92,493</u>	<u>13,872,625</u>
Fund Balance:				
Nonspendable:				
Inventory	85,969	-	-	85,969
Prepays	10,874	-	-	10,874
Restricted for:				
Cemetery maintenance	600,822	-	-	600,822
Street maintenance	-	-	167,339	167,339
Law enforcement	-	-	83,257	83,257
Stormwater	-	-	2,750,503	2,750,503
General capital projects	-	420,020	-	420,020
Roads capital projects	-	-	4,128,782	4,128,782
Parks capital projects	-	-	508,331	508,331
Fire protection capital projects	-	-	455,973	455,973
Unassigned	18,810,745	-	-	18,810,745
Total Fund Balances	<u>19,508,410</u>	<u>420,020</u>	<u>8,094,185</u>	<u>28,022,615</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$34,489,771</u>	<u>1,062,859</u>	<u>8,368,458</u>	<u>43,921,088</u>

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Reconciliation of Balance Sheet to Statement of Net Position
of Governmental Activities

June 30, 2014

Amounts reported for fund balance - total governmental funds	\$28,022,615
Amounts reported for governmental activities in the statement of net position 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.	98,570,971
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	1,455,935
Property taxes receivable	228,935
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 are included in governmental activities in the statement of net position.	1,629,877
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.	(135,744)
Prepaid insurance related to bond issues are amortized over the life of the bonds in the statement of activities.	15,733
Bond premiums are amortized as a component of interest in the statement of activities.	(30,443)
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 and notes payable	(17,733,396)
Compensated absences	(1,964,536)
Capital Leases	(21,392)
Net position of governmental activities	<u>\$110,038,555</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, 2014

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$23,195,359	-	-	23,195,359
Payment in lieu of taxes	3,104,760	-	-	3,104,760
Licenses and permits	880,859	-	846,659	1,727,518
Intergovernmental	3,740,047	221,213	1,038,188	4,999,448
Fines and forfeits	1,323,802	-	92,144	1,415,946
Uses of money and property	3,243,015	-	1,500,128	4,743,143
Miscellaneous	116,408	-	-	116,408
Total Revenues	<u>35,604,250</u>	<u>221,213</u>	<u>3,477,119</u>	<u>39,302,582</u>
<u>Expenditures</u>				
Current:				
General government	6,126,414	100,798	-	6,227,212
Public safety:				
Police	8,151,287	30,131	62,458	8,243,876
Fire	7,469,478	111,958	-	7,581,436
Highways and streets	516,738	43,461	957,091	1,517,290
Recreation	3,810,717	142,068	-	3,952,785
Community development	1,305,164	11,573	-	1,316,737
Stormwater	-	3,680	777,143	780,823
Debt service	-	-	3,233,770	3,233,770
Capital outlay	-	2,509,919	-	2,509,919
Total Expenditures	<u>27,379,798</u>	<u>2,953,588</u>	<u>5,030,462</u>	<u>35,363,848</u>
Excess (deficiency) revenues over expenditures	<u>8,224,452</u>	<u>(2,732,375)</u>	<u>(1,553,343)</u>	<u>3,938,734</u>
<u>Other Financing Sources (Uses)</u>				
General obligation refunding bonds issued	-	-	3,000,000	3,000,000
Bonds currently refunded	-	-	(2,970,000)	(2,970,000)
Insurance proceeds	3,343	-	-	3,343
Transfers in	792,381	2,732,375	3,203,770	6,728,526
Transfers out	(5,426,606)	-	(586,373)	(6,012,979)
Total Other Financing Source (Uses)	<u>(4,630,882)</u>	<u>2,732,375</u>	<u>2,647,397</u>	<u>748,890</u>
Net change in fund balance	3,593,570	-	1,094,054	4,687,624
Fund balance, beginning of year	15,914,840	420,020	7,000,131	23,334,991
Fund balance, end of year	<u>\$19,508,410</u>	<u>420,020</u>	<u>8,094,185</u>	<u>28,022,615</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, 2014

Net change in fund balances-total governmental funds: \$4,687,624

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	2,509,919
Depreciation expense	(5,400,029)
Basis of capital assets disposed of	(9,721)

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

Property taxes	(116,839)
Local option sales tax	157,023
State shared taxes	(23,447)
Contributed capital assets	5,298,687

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 premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.

Debt repayment	5,464,110
Debt issuance	(3,000,000)
Amortization of prepaid insurance related to bond issue	(1,967)
Amortization of debt related premium	4,776

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	28,791
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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	(174,413)
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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)

419,367

Change in net position of governmental activities

\$9,843,881

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Real estate taxes	\$8,940,000	8,940,000	9,195,909	255,909
Business tax	950,000	952,150	1,169,581	217,431
Wholesale beer tax	1,180,000	1,180,000	1,140,276	(39,724)
Local option sales tax	10,100,000	10,100,000	10,734,607	634,607
Hotel / motel tax	345,000	345,000	412,285	67,285
Cable TV / gas franchise tax	478,000	478,000	516,136	38,136
Other	26,000	26,000	26,565	565
Total Taxes	22,019,000	22,021,150	23,195,359	1,174,209
Payments in lieu of taxes	2,488,914	3,067,414	3,104,760	37,346
Licenses and Permits	677,725	677,725	880,859	203,134
Intergovernmental Revenues:				
State income tax	57,000	57,000	106,200	49,200
State beer tax	19,600	19,600	18,915	(685)
State sales tax	2,710,000	2,710,000	2,848,588	138,588
State mixed drink tax	108,000	108,000	106,720	(1,280)
State petroleum special tax	82,000	82,000	81,827	(173)
Federal and state grants	8,400	19,552	400,434	380,882
State street maintenance contracts	80,000	80,000	70,960	(9,040)
State fire supplement	42,000	42,000	37,800	(4,200)
State police supplement	42,000	42,000	40,800	(1,200)
Other state and county shared taxes	23,180	23,180	27,803	4,623
Total Intergovernmental Revenues	3,172,180	3,183,332	3,740,047	556,715
Fines and forfeits	1,506,800	1,506,800	1,323,802	(182,998)
Uses of Property and Money:				
Penalties	53,030	53,030	96,001	42,971
Interest earned	150,000	150,000	17,433	(132,567)
Rent	110,000	110,000	116,787	6,787
Traffic school fees	150,000	150,000	122,487	(27,513)
Administrative support charges	1,126,049	1,126,049	1,126,049	-
Cemetery revenue	74,000	74,000	66,400	(7,600)
Recreation fees and community center fees	1,499,775	1,499,775	1,525,046	25,271
Food sales	191,000	191,000	172,812	(18,188)
Total Uses of Property and Money	3,353,854	3,353,854	3,243,015	(110,839)
Other	66,100	66,100	116,408	50,308
Total Revenues	33,284,573	33,876,375	35,604,250	1,727,875
Expenditures:				
General Government:				
Current:				
Legislative Board:				
Salaries	36,000	36,000	35,400	600
Benefits and payroll taxes	58,100	58,100	59,184	(1,084)
Insurance	25,381	25,381	25,381	-
Other	40,250	40,250	8,764	31,486
Total Legislative Board	159,731	159,731	128,729	31,002

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, 2014

	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	\$754,560	755,160	772,218	(17,058)
Benefits and payroll taxes	300,460	300,460	276,318	24,142
Contractual services	64,940	64,940	45,865	19,075
Other	52,661	52,661	39,371	13,290
Total Town and General Sessions Court	<u>1,172,621</u>	<u>1,173,221</u>	<u>1,133,772</u>	<u>39,449</u>
Vehicle Maintenance:				
Salaries	194,350	194,350	188,627	5,723
Benefits and payroll taxes	87,890	87,890	80,862	7,028
Supplies	32,350	32,350	37,917	(5,567)
Other	27,560	27,560	30,095	(2,535)
Total Vehicle Maintenance	<u>342,150</u>	<u>342,150</u>	<u>337,501</u>	<u>4,649</u>
Codes, Engineering and Planning:				
Salaries	611,020	611,920	608,620	3,300
Benefits and payroll taxes	288,941	288,941	265,113	23,828
Contractual services	17,455	17,455	4,104	13,351
Insurance	4,921	4,921	4,921	-
Telephone and utilities	1,850	1,850	3,006	(1,156)
Supplies	25,175	25,175	18,148	7,027
Repairs and maintenance	1,000	1,000	771	229
Professional services	40,500	40,500	47,843	(7,343)
Other	38,710	38,710	15,493	23,217
Total Codes, Engineering and Planning	<u>1,029,572</u>	<u>1,030,472</u>	<u>968,019</u>	<u>62,453</u>
Building and Grounds:				
Salaries	288,110	288,110	293,059	(4,949)
Benefits and payroll taxes	175,330	175,330	157,885	17,445
Repairs and maintenance	101,450	101,450	89,736	11,714
Supplies	23,140	23,140	21,969	1,171
Insurance	8,597	8,597	8,597	-
Cemetery	18,500	18,500	16,272	2,228
Other	3,130	3,130	2,769	361
Total Building Maintenance	<u>618,257</u>	<u>618,257</u>	<u>590,287</u>	<u>27,970</u>
Finance and Administration:				
Salaries	1,672,560	1,672,560	1,686,167	(13,607)
Benefits and payroll taxes	723,585	723,585	617,780	105,805
Memberships and testing	42,945	42,945	28,022	14,923
Telephone and utilities	170,848	170,848	172,587	(1,739)
Professional services	151,165	151,165	91,279	59,886
Contractual services	340,425	360,425	223,352	137,073
Repairs and maintenance	5,000	5,000	3,186	1,814
Supplies	63,690	63,690	45,054	18,636
Insurance	18,326	18,326	17,905	421
Outside services	49,000	49,000	42,132	6,868
Other	77,935	57,935	40,642	17,293
Total Finance and Administration	<u>3,315,479</u>	<u>3,315,479</u>	<u>2,968,106</u>	<u>347,373</u>
Total Current	<u>6,637,810</u>	<u>6,639,310</u>	<u>6,126,414</u>	<u>512,896</u>
Capital Outlay	-	-	-	-
Total General Government	<u>6,637,810</u>	<u>6,639,310</u>	<u>6,126,414</u>	<u>512,896</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Public Safety:				
Police Department:				
Current:				
Salaries	\$5,642,940	5,654,092	5,163,761	490,331
Benefits and payroll taxes	2,803,960	2,803,960	2,256,656	547,304
Outside services	113,359	113,359	95,721	17,638
Memberships and testing	18,337	18,337	19,728	(1,391)
Telephone	51,491	51,491	40,547	10,944
Repairs and maintenance	79,830	79,830	65,463	14,367
Travel	16,997	16,997	20,816	(3,819)
Supplies	381,019	381,019	362,657	18,362
Insurance	119,656	119,656	119,656	-
Other	6,320	6,320	6,282	38
Total Current	<u>9,233,909</u>	<u>9,245,061</u>	<u>8,151,287</u>	<u>1,093,774</u>
Capital Outlay	-	-	-	-
Total Police Department	<u>9,233,909</u>	<u>9,245,061</u>	<u>8,151,287</u>	<u>1,093,774</u>
Fire Department:				
Current:				
Salaries	4,876,400	4,876,400	4,776,019	100,381
Benefits and payroll taxes	2,386,420	2,386,420	2,114,372	272,048
Memberships and testing	2,385	2,385	3,361	(976)
Telephone and utilities	139,840	139,840	123,578	16,262
Repairs and maintenance	138,400	138,400	126,749	11,651
Supplies	248,915	248,915	185,182	63,733
Insurance	49,270	49,270	49,270	-
Outside services	127,914	127,914	87,421	40,493
Other	8,850	8,850	3,526	5,324
Total Current	<u>7,978,394</u>	<u>7,978,394</u>	<u>7,469,478</u>	<u>508,916</u>
Capital Outlay	-	-	-	-
Total Fire Department	<u>7,978,394</u>	<u>7,978,394</u>	<u>7,469,478</u>	<u>508,916</u>
Total Public Safety	<u>17,212,303</u>	<u>17,223,455</u>	<u>15,620,765</u>	<u>1,602,690</u>
Highways and Streets:				
Current:				
Salaries	207,060	207,060	197,032	10,028
Benefits and payroll taxes	146,640	146,640	127,059	19,581
Telephone and utilities	3,000	3,000	1,549	1,451
Repairs and maintenance	82,300	82,300	69,910	12,390
Supplies	83,800	83,800	67,343	16,457
Insurance	18,131	18,131	18,131	-
Outside services	30,650	30,650	32,275	(1,625)
Other	19,950	19,950	3,439	16,511
Total Current	<u>591,531</u>	<u>591,531</u>	<u>516,738</u>	<u>74,793</u>
Capital Outlay	-	-	-	-
Total Highways and Streets	<u>591,531</u>	<u>591,531</u>	<u>516,738</u>	<u>74,793</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Recreation:				
Current:				
Salaries	\$1,838,420	1,838,420	1,719,019	119,401
Benefits and payroll taxes	815,401	815,401	715,760	99,641
Memberships and testing	11,325	11,325	9,038	2,287
Telephone and utilities	322,560	322,560	298,633	23,927
Repairs and maintenance	174,528	174,528	194,614	(20,086)
Outside services	214,254	214,254	235,215	(20,961)
Food purchases	112,000	112,000	114,340	(2,340)
Recreation programs	32,530	32,530	32,195	335
Advertising and promotion	1,550	1,550	2,289	(739)
Supplies	231,469	231,469	218,099	13,370
Insurance	32,145	32,145	32,145	-
Rent	213,176	213,176	209,559	3,617
Other	28,375	28,375	29,811	(1,436)
Total Current	<u>4,027,733</u>	<u>4,027,733</u>	<u>3,810,717</u>	<u>217,016</u>
Capital Outlay	-	-	-	-
Total Recreation	<u>4,027,733</u>	<u>4,027,733</u>	<u>3,810,717</u>	<u>217,016</u>
Community Development:				
Current:				
Salaries	327,280	327,280	320,103	7,177
Benefits and payroll taxes	150,380	150,380	140,304	10,076
Telephone and utilities	76,500	76,500	75,866	634
Repairs and maintenance	14,500	14,500	17,699	(3,199)
Outside services	27,018	27,018	22,371	4,647
Advertising and promotion	1,450	1,450	287	1,163
Food purchases	177,500	177,500	169,397	8,103
Supplies	31,670	31,670	34,791	(3,121)
Insurance	1,226	1,226	1,226	-
Contributions to non-profits	516,040	516,690	516,670	20
Other	7,285	7,285	6,450	835
Total Current	<u>1,330,849</u>	<u>1,331,499</u>	<u>1,305,164</u>	<u>26,335</u>
Capital Outlay	-	-	-	-
Total Community Development	<u>1,330,849</u>	<u>1,331,499</u>	<u>1,305,164</u>	<u>26,335</u>
Total Expenditures	<u>29,800,226</u>	<u>29,813,528</u>	<u>27,379,798</u>	<u>2,433,730</u>
Excess Revenues Over Expenditures	<u>3,484,347</u>	<u>4,062,847</u>	<u>8,224,452</u>	<u>4,161,605</u>
Other Financing Sources (Uses):				
Insurance proceeds	20,000	20,000	3,343	(16,657)
Transfer to Capital Projects Fund	(651,847)	(2,443,025)	(2,222,836)	220,189
Transfer to Debt Service Fund	(2,891,159)	(3,430,678)	(3,203,770)	226,908
Transfer from Stormwater Fund	76,834	76,834	76,834	-
Transfer from Gas Fund	137,620	137,620	137,620	-
Transfer from Water and Sewer Fund	577,927	577,927	577,927	-
Total Other Financing Sources (Uses)	<u>(2,730,625)</u>	<u>(5,061,322)</u>	<u>(4,630,882)</u>	<u>430,440</u>
Net change in fund balance	753,722	(998,475)	3,593,570	4,592,045
Fund Balance, beginning of year	<u>15,914,840</u>	<u>15,914,840</u>	<u>15,914,840</u>	<u>-</u>
Fund Balance, end of year	<u>\$16,668,562</u>	<u>14,916,365</u>	<u>19,508,410</u>	<u>4,592,045</u>

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Net Position

Proprietary Funds

June 30, 2014

	Business-type Activities Enterprise Funds			
	Water and Sewer Fund	Natural Gas Fund	Total	Internal Service Fund
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$5,541,659	10,035,361	15,577,020	3,173,331
Receivables:				
Utility customers, net of allowance for estimated uncollectible	2,349,042	773,632	3,122,674	-
Insurance reimbursements receivable	-	-	-	81,367
Grant receivable	2,866	-	2,866	-
Note receivable, current portion	36,756	-	36,756	-
Total Accounts Receivable	2,388,664	773,632	3,162,296	81,367
Due from other funds	1,797	-	1,797	-
Inventory, at cost	399,445	158,582	558,027	8,715
Total Current Assets	8,331,565	10,967,575	19,299,140	3,263,413
Noncurrent Assets:				
Restricted Assets:				
Cash - bond proceeds	416,991	-	416,991	-
Cash - customer deposits and construction bonds	118,094	779,422	897,516	-
Total Noncurrent Restricted Assets	535,085	779,422	1,314,507	-
Property, Plant and Equipment	199,381,018	24,884,536	224,265,554	-
Less accumulated depreciation	(66,181,181)	(14,724,155)	(80,905,336)	-
Total Property, Plant and Equipment, Net	133,199,837	10,160,381	143,360,218	-
Other Assets:				
Note receivable, net of current portion	332,228	-	332,228	-
Total Other Assets	332,228	-	332,228	-
Total Noncurrent Assets	134,067,150	10,939,803	145,006,953	-
Total Assets	\$142,398,715	21,907,378	164,306,093	3,263,413
<u>Liabilities</u>				
Liabilities:				
Current Liabilities (payable from current assets):				
Accounts payable	\$641,716	674,372	1,316,088	633,888
Accrued expenses	357,716	133,166	490,882	-
Interest payable	199,556	-	199,556	-
Due to other funds	-	4,498	4,498	-
Current maturities of long-term debt	3,509,705	-	3,509,705	-
Total Current Liabilities (payable from current assets)	4,708,693	812,036	5,520,729	633,888
Current Liabilities (payable from restricted assets):				
Construction bonds	74,522	-	74,522	-
Customer deposits and project assistance	43,572	779,422	822,994	-
Total Current Liabilities (payable from restricted assets)	118,094	779,422	897,516	-
Total Current Liabilities	4,826,787	1,591,458	6,418,245	633,888
Noncurrent Liabilities:				
Long-term debt, net of current maturities	43,243,164	-	43,243,164	-
Total Liabilities	48,069,951	1,591,458	49,661,409	633,888
<u>Net Position</u>				
Net investment in capital assets	86,863,959	10,160,381	97,024,340	-
Unrestricted	7,464,805	10,155,539	17,620,344	2,629,525
Total Net Position	\$94,328,764	20,315,920	114,644,684	2,629,525
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	1,320,950	(321,302)	999,648	
Net position of business-type activities	\$95,649,714	19,994,618	115,644,332	

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Revenues, Expenses and
Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
Operating Revenues:				
Services	\$15,677,479	17,339,991	33,017,470	7,689,323
Other	16,303	53,888	70,191	-
Forfeited discounts	224,089	121,206	345,295	-
Total Operating Revenues	<u>15,917,871</u>	<u>17,515,085</u>	<u>33,432,956</u>	<u>7,689,323</u>
Operating Expenses:				
Gas / water purchases	16,508	13,609,719	13,626,227	-
Salaries	1,973,037	656,928	2,629,965	-
Benefits and payroll taxes	1,012,437	375,473	1,387,910	4,959,195
Property claims	-	-	-	1,294,240
Travel	1,628	-	1,628	-
Outside services	587,255	50,956	638,211	-
Telephone and utilities	1,704,042	44,925	1,748,967	-
Maintenance and repair	681,110	90,177	771,287	-
Operating supplies	1,353,824	128,659	1,482,483	-
Insurance	159,320	78,334	237,654	988,533
Professional services	15,244	572,187	587,431	-
Depreciation and amortization	5,377,534	778,714	6,156,248	-
Administrative support services	676,120	449,929	1,126,049	-
Other	46,651	87,769	134,420	-
Total Operating Expenses	<u>13,604,710</u>	<u>16,923,770</u>	<u>30,528,480</u>	<u>7,241,968</u>
Operating Income (loss)	<u>2,313,161</u>	<u>591,315</u>	<u>2,904,476</u>	<u>447,355</u>
Non-Operating Revenues (Expenses):				
Interest income	23,480	3,373	26,853	1,181
Gain (loss) on sale of capital assets	3,617	-	3,617	-
Interest expenses	(1,601,372)	-	(1,601,372)	-
Total Non-Operating Revenues (Expenses)	<u>(1,574,275)</u>	<u>3,373</u>	<u>(1,570,902)</u>	<u>1,181</u>
Net Income (loss) Before Contributions and Transfers	738,886	594,688	1,333,574	448,536
Contributions:				
Capital contributions - tap fees	2,223,760	55,845	2,279,605	-
Contributions from developers - non cash	2,339,315	-	2,339,315	-
Transfers out - in lieu tax payments	<u>(577,927)</u>	<u>(137,620)</u>	<u>(715,547)</u>	<u>-</u>
Change in Net Position	<u>4,724,034</u>	<u>512,913</u>	<u>5,236,947</u>	<u>448,536</u>
Net Position, Beginning of Year,	<u>89,604,730</u>	<u>19,803,007</u>	<u>109,407,737</u>	<u>2,180,989</u>
Net Position, End of Year	<u>\$94,328,764</u>	<u>20,315,920</u>	<u>114,644,684</u>	<u>2,629,525</u>
Change in Net Position shown above	4,724,034	512,913	5,236,947	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(29,320)</u>	<u>58,488</u>	<u>29,168</u>	
Change in net position of business-type activities	<u>\$4,694,714</u>	<u>571,401</u>	<u>5,266,115</u>	

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities Enterprise Funds		Total	Internal Service Fund
	Water and Sewer Fund	Natural Gas Fund		
Cash Flows from Operating Activities:				
Cash received from customers	\$15,600,874	17,398,702	32,999,576	-
Cash paid to employees for services	(1,956,606)	(641,563)	(2,598,169)	-
Cash paid to suppliers for goods and services	(5,233,552)	(14,916,194)	(20,149,746)	-
Payments for interfund administrative support services	(676,120)	(449,929)	(1,126,049)	-
Cash received on interfund receivable	9,018	12,458	21,476	-
Cash paid on customer deposits	(2,822)	(29,518)	(32,340)	-
Premiums and insurance reimbursements received	-	-	-	7,750,707
Claims, insurance and administrative expenses paid	-	-	-	(7,060,301)
Net Cash Provided (Used) by Operating Activities	7,740,792	1,373,956	9,114,748	690,406
Cash Flows from Capital and Related Financing Activities:				
Purchase of property, plant, and equipment	(683,972)	(314,932)	(998,904)	-
Cash received from capital contributions	2,224,110	55,845	2,279,955	-
Cash from sale of capital asset	3,617	-	3,617	-
Cash received on note receivable	33,155	-	33,155	-
Cash received (paid) on construction bonds	(98,400)	-	(98,400)	-
Interest paid on debt	(1,706,000)	-	(1,706,000)	-
Proceeds from refunding bond	1,500,000	-	1,500,000	-
Payments on long-term debt	(4,904,315)	-	(4,904,315)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,631,805)	(259,087)	(3,890,892)	-
Cash Flows from Non-Capital Financing Activities:				
Transfers	(577,927)	(137,620)	(715,547)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(577,927)	(137,620)	(715,547)	-
Cash Flows from Investing Activities:				
Interest received on investments	23,480	3,372	26,852	1,181
Net Cash Provided (Used) by Investing Activities	23,480	3,372	26,852	1,181
Net Increase (Decrease) in Cash	3,554,540	980,621	4,535,161	691,587
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	2,522,204	9,834,162	12,356,366	2,481,744
Cash and Cash Equivalents and Restricted Cash, End of Year	\$6,076,744	10,814,783	16,891,527	3,173,331

Continued on next page

TOWN OF SMYRNA, TENNESSEE

Statement of Cash Flows

Proprietary Funds, Continued

For the Year Ended June 30, 2014

	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)	\$2,313,161	591,315	2,904,476	447,355
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	5,377,534	778,714	6,156,248	-
(Increase) decrease in:				
Accounts receivable	(316,997)	(116,383)	(433,380)	61,384
Inventory	103,459	15,674	119,133	1,910
Due from other funds	9,018	7,960	16,978	-
Increase (Decrease) in:				
Accounts payable	243,370	103,296	346,666	179,757
Accrued expenses	14,069	18,400	32,469	-
Due from other funds	-	4,498	4,498	-
Customer deposits	(2,822)	(29,518)	(32,340)	-
Net Cash Provided (used) for Operating Activities	\$7,740,792	1,373,956	9,114,748	690,406

Supplemental Schedule of Non-Cash Capital Financing Activities

Contributed water and sewer lines	\$2,339,315
Liquidated contract payable for capital asset	(279,852)
Amortization of bond premiums	(88,503)

See accompanying notes to financial statements.

TOWN OF SMYRNA, TENNESSEE

Statement of Fiduciary Net Position

Pension Fund

June 30, 2014

Assets

Investments, at fair value:

Money market funds	\$166,056
Certificates of deposit	\$102,438
Mutual funds	1,952,233
US Government bonds	55,247
Corporate bonds	3,095,086
Interest receivable	34,444

Total Assets

\$5,405,504

Liabilities

\$0

Net Position

Held in Trust for Pension Benefits

Total Net Position Held in Trust for Pension Benefits

\$5,405,504

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE
Statement of Changes in Fiduciary Net Position
Pension Fund
For the Year Ended June 30, 2014

Additions

Contributions - employer	\$203,062
Investment earnings	
Interest, dividends and other investment income (loss)	154,136
Net increase (decrease) in fair value of investments	321,822
Net investment earnings (loss)	475,958
Total additions	679,020

Deductions

Pension benefits	357,067
Total deductions	357,067
Change in net position	321,953
Net position held in trust for pension benefits, beginning of year	5,083,551
Net position held in trust for pension benefits, end of year	\$5,405,504

See accompanying notes to financial statements

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

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.

The Smyrna Charity Assistance Fund (a 501(c)3 entity) was created to accept funding from private donations. The purpose of the fund is to provide financial aid to selected non-profit charitable organizations that provide year round services benefitting the general welfare of the residents of the Town. The Town shall have discretion to allocate funds from the general fund budget to this component unit for the next two years subsequent to fiscal year 2014, subject to maximum amounts. The Board consists of the Mayor or their appointee and five members appointed by the Town Council.

Separate financial statements are not issued for the component units. The component units are each a single fund component unit.

Related Organizations

The Town appoints the board of directors 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 position and the statement of changes in net position) 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.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-wide and Fund Financial Statements (Continued)

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.

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.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

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 of 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 Rutherford 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

June 30, 2014

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 and are accounted for using the consumption basis.

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 16.2 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. During the year, the Town did not capitalize any construction period interest.

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 prepaid insurance related to bond issues.

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.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Stormwater 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 position.

Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. These are included as a component of debt. Loss on refunding, if applicable, is reported as deferred outflows of resources and amortized over the shorter period of the old or new debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 are reported as current period costs in the year of issuance in all financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items which arise, under the accrual and modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental activities statement of net position and the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, state shared revenue and in-lieu of taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Town’s practice to use restricted resources first and then unrestricted resources as they are needed.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In accordance with Governmental Accounting Standard Board (GASB) Statement 54, fund balance is reported in the fund financial statements under the following categories. *Nonspendable fund balance* represents amounts that are required to be maintained intact, such as inventories and prepaid items and non-current portion of notes receivable. *Restricted fund balance* is that portion of fund balance that can be spent only for the specific purposes stipulated by external resource or through enabling legislation. *Committed fund balance* includes amounts constrained to specific purposes as determined by formal action of the Town using its highest level of decision-making authority, an ordinance by the Town Council. Conversely, to rescind or modify a fund balance commitment, action by the Town Council is also required. *Assigned fund balance* amounts are intended to be used by the Town for specific purposes but do not meet the criteria to be restricted or committed. Intent may be stipulated by the Council by resolution. Appropriations of fund balance to eliminate projected budgetary deficits in the subsequent year’s budget are presented as assignments of fund balance. *Unassigned fund balance* is the residual classification of the General Fund.

It is the Town’s policy to first use the restricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted funds are available. The Town’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

By action of the Council, the Town has set a policy to maintain General Fund unassigned reserves equal to a minimum of 30% of General Fund operating revenue which equates to \$10,681,275. The policy may be modified by majority vote of the Council and the reserve is included in unassigned fund balance.

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 \$.9095 per \$100 of assessed valuation for both tax years 2014 and 2013. Payments may be made during the period from October 1 through February 28. Current tax collections of \$9,031,791 for the fiscal year ended June 30, 2014 were approximately 98 percent of the tax levy. Delinquent taxes past due for fourteen months are turned over to the county clerk for collection.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

2) DEPOSITS AND INVESTMENTS (Continued)

The government-wide financial statements report property taxes receivable of \$9,264,737 which is net of an allowance for doubtful collections of \$56,203. Of this receivable amount, \$347,321 represents prior year property taxes, \$8,973,569 represents the estimated net realizable 2014 property taxes and which are included in deferred inflow of activities since they are not available until the next fiscal year. The receivable reported in the governmental funds balance sheet is \$9,320,940 with an offsetting deferred inflow of resources for amounts not available at June 30, 2014. Other taxes receivable reported in the statements of \$3,285,961 is for beer and motel taxes of \$181,201 and \$3,104,760 for estimated net realizable 2014 in-lieu of tax.

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, 2014 there were no amounts exposed to custodial credit risk.

Investments

At June 30, 2014, 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	\$ 68,557	N/A	N/A
Liquid investments			
(Cash equivalents)	<u>(68,557)</u>		
	<u> -</u>		
Fiduciary Fund-Pension Fund:			
Corporate Obligation	\$ 3,095,086	1,237	BBB-AA+
US Government Bonds	55,247	1,567	AA-
Money Market Fund	166,056	N/A	N/A
Mutual Funds Equity	1,952,233	N/A	N/A
Certificate of Deposits	<u>102,438</u>	36	N/A
	<u>\$ 5,371,060</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.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

2) DEPOSITS AND INVESTMENTS (Continued)

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, 2014, the Town had two investments in an organization that represents 5 percent or more of total investments.

Goldman Sachs Group	\$ 549,090
General Electric Cap Corp	<u>293,591</u>
	<u>\$ 842,681</u>

3) CAPITAL ASSETS

Governmental Activities

Capital assets activity for the year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 5,532,688	-	-	-	5,532,688
Construction in progress	2,481,065	1,464,405	-	(665,772)	3,279,698
<u>Capital assets being depreciated:</u>					
Buildings	24,915,248	-	-	66,715	24,981,963
Improvements other than buildings	15,910,945	95,782	-	-	16,006,727
Equipment	18,625,565	949,732	(246,358)	-	19,328,939
Infrastructure	<u>102,888,044</u>	<u>5,298,687</u>	-	<u>599,057</u>	<u>108,785,788</u>
Total	<u>\$ 170,353,555</u>	<u>7,808,606</u>	<u>(246,358)</u>	<u>-</u>	<u>177,915,803</u>
<u>Accumulated Depreciation</u>					
Buildings	\$ 12,713,979	503,420	-	-	13,217,399
Improvements	7,028,896	569,600	-	-	7,598,496
Equipment	13,513,010	1,181,297	(236,637)	-	14,457,670
Infrastructure	<u>40,925,555</u>	<u>3,145,712</u>	-	-	<u>44,071,267</u>
Total accumulated depreciation	<u>74,181,440</u>	<u>5,400,029</u>	<u>(236,637)</u>	<u>-</u>	<u>79,344,832</u>
Governmental activities capital assets-net	<u>\$96,172,115</u>				<u>98,570,971</u>

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

General Government	\$ 470,035
Public Safety:	
Police	337,914
Fire	478,810
Highways and streets	3,289,954
Stormwater	52,933
Recreation	737,374
Community development	<u>33,009</u>
Total	<u>\$ 5,400,029</u>

Current year donated infrastructure from developers was \$5,298,687.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

3) CAPITAL ASSETS (Continued)

Business-Type Activities:

Capital assets of the Enterprise Funds consisted of the following at June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Reclasses	Balance June 30, 2014	Water and Sewer Fund	Gas Fund	Component Unit
<u>Capital assets not being depreciated</u>								
Land and land rights	\$ 1,681,903	-	-	-	1,681,903	1,471,294	210,609	-
Water rights	2,350,000	-	-	-	2,350,000	2,350,000	-	-
Construction in progress	512,597	100,648	-	(440,951)	172,294	154,898	17,396	-
<u>Capital assets being depreciated</u>								
Utility plant and buildings	208,901,979	2,957,719	-	440,951	212,300,649	191,099,678	21,200,971	3,855,320
Machinery and equipment	7,785,794	-	(25,086)	-	7,760,708	4,305,148	3,455,560	-
<u>Less accumulated depreciation</u>								
Utility plant and buildings	(67,312,093)	(5,966,473)	-	-	(73,278,566)	(61,956,141)	(11,322,425)	(1,231,572)
Machinery and equipment	(7,462,081)	(189,775)	25,086	-	(7,626,770)	(4,225,040)	(3,401,730)	-
Total	\$ <u>146,458,099</u>	<u>(3,097,881)</u>	<u>-</u>	<u>-</u>	<u>143,360,218</u>	<u>133,199,837</u>	<u>10,160,381</u>	<u>2,623,748</u>
Current year depreciation						\$ <u>5,377,534</u>	<u>778,714</u>	<u>128,511</u>

4) RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

A summary of receivables at June 30, 2014, is as follows:

	General Fund	Capital Projects Fund	Water and Sewer Fund	Natural Gas Fund	Nonmajor Funds	Internal Service Fund	Total
Property taxes	\$ 9,320,940	-	-	-	-	-	9,320,940
Other taxes & in-lieu taxes	3,285,961	-	-	-	-	-	3,285,961
Customer	209,378	-	2,635,441	946,385	215,994	81,367	4,088,565
Other governments	3,184,991	181,158	2,866	-	187,603	-	3,556,618
Less allowance	(56,203)	-	(286,399)	(172,753)	(19,131)	-	(534,486)
	\$ <u>15,945,067</u>	<u>181,158</u>	<u>2,351,908</u>	<u>773,632</u>	<u>384,466</u>	<u>81,367</u>	<u>19,717,598</u>

The Enterprise Fund includes a note receivable from the Airport Authority, a joint venture of the Town, in the amount of \$368,984, related to a construction project. The note is repayable in monthly installments of \$3,650 including interest at 2% through September 2023.

Deferred inflows of resources in the governmental activities consists of amounts that are unavailable to liquidate liabilities of the current period. At June 30, 2014, the components of deferred inflows of resources were as follows:

	Government-wide Statements	Fund Statements
Unlevied property taxes (unavailable)	\$ 8,973,569	8,973,569
Delinquent property taxes (unavailable)	-	285,138
Unlevied in-lieu of taxes (unavailable)	3,104,760	3,104,760
State and county shared taxes (unavailable)	<u>53,223</u>	<u>1,509,158</u>
	<u>\$12,131,552</u>	<u>13,872,625</u>

Unearned revenue consists of rent and town center revenue.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

5) RESTRICTED ASSETS

A summary of restricted assets at June 30, 2014, is as follows:

	<u>Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Cash	\$ <u>535,085</u>	<u>779,422</u>	<u>1,314,507</u>

Cash is restricted for construction bonds, customer deposits and amounts for construction projects to be paid from bond proceeds.

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) by transfer to the Debt Service 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, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Payable Within One Year</u>
Governmental Activities:					
General obligation debt	\$19,636,051	3,000,000	4,902,655	17,733,396	2,214,360
Capital lease	43,328	-	21,936	21,392	21,392
Obligation to county school system	539,519	-	539,519	-	-
Compensated absences	<u>1,790,123</u>	<u>1,627,392</u>	<u>1,452,979</u>	<u>1,964,536</u>	<u>1,750,000</u>
Total	22,009,021	<u>4,627,392</u>	<u>6,917,089</u>	19,719,324	<u>3,985,752</u>
Bond premium	<u>35,219</u>		<u>4,776</u>	<u>30,443</u>	
	<u>\$22,044,240</u>			<u>19,749,767</u>	
Business-type Activities:					
Revenue and tax bonds	\$45,652,228	1,500,000	4,744,765	42,407,463	3,346,733
State revolving loan	<u>3,534,880</u>	-	<u>159,550</u>	<u>3,375,330</u>	<u>162,972</u>
	49,187,108	<u>1,500,000</u>	<u>4,904,315</u>	45,782,793	<u>3,509,705</u>
Bond premiums	<u>1,058,579</u>		<u>88,503</u>	<u>970,076</u>	
	<u>\$50,245,687</u>			<u>46,752,869</u>	

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

6) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE (Continued)

Long-term debt payable at June 30, 2014, is comprised of the following:

Governmental Activities

2006 General Obligation Bonds (\$9,500,000) due in annual installments through June 2022 at interest rates from 3.65% to 3.875%.	\$ 7,535,000
2008 General Obligation Bonds (\$5,346,967) due in annual installments through June 2024 at interest rates from 3% to 3.9%.	3,922,537
2009 General Obligation Bonds (\$3,050,000) due in annual installments through June 2024 at interest rates from 2% to 3.75%.	2,250,000
Capital Outlay note due in annual installments of \$207,420 at an interest rate of 1.83%.	414,840
Capital Outlay note due in annual installments of \$203,693 at an interest rate of 1.33%.	611,019
2014 General Obligation Refunding Bonds (\$3,000,000) due in annual installments through August 2020 at 1.5% interest.	<u>3,000,000</u>
Total Governmental Activities	\$ <u>17,733,396</u>

Business-type Activities/Revenue and Tax Bonds:

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.	\$ 55,000
2008 General Obligation Bonds (\$4,638,032) due in annual installments through April 2024 at interest rates from 3.25% to 4.5%.	3,402,463
2009 Revenue and Tax Refunding Bonds (\$8,205,000) due in annual installments through June 2024 at interest rates from 3% to 3.9%.	5,930,000
2009 Water and Sewer Revenue and Tax Bonds (\$17,970,000) due in annual installments through June 2024 at interest rates from 2% to 4%.	16,370,000
2009 State Revolving Loan Program (\$5,790,000 with \$2,300,000 forgiven) due in 240 installments at an interest rate of 2.14%.	3,058,446
2010 State Revolving Loan Program (\$600,000 with \$120,000 forgiven) due in 240 installments at an interest rate of 1.94%.	316,884
2011 Water and Sewer Revenue and Tax Bonds (\$18,000,000) due in annual installments through June 2026 at interest rates from 2% to 4%.	15,150,000
2014 Water and Sewer Revenue and Tax Refunding Bonds (\$1,500,000) due in annual installments through May 2018 at 1.1% interest.	<u>1,500,000</u>
Total Business-type Activities	\$ <u>45,782,793</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>3,605,000</u>
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TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

6) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE (Continued)

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2014, 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>
2015	\$ 2,214,360	3,509,705	2,157,127	7,881,192	225,200
2016	2,278,103	3,619,453	2,015,583	7,913,139	281,765
2017	2,156,748	3,746,947	1,828,127	7,731,822	277,055
2018	1,988,785	3,864,881	1,651,818	7,505,484	277,093
2019	2,059,850	3,947,541	1,479,081	7,486,472	276,832
2020-2024	7,035,550	22,365,065	4,098,163	33,498,778	1,383,002
2025-2029	-	4,201,388	301,610	4,502,998	1,456,358
2030-2034	-	527,813	13,636	541,449	1,457,113
Totals	<u>\$ 17,733,396</u>	<u>45,782,793</u>	<u>13,545,145</u>	<u>77,061,334</u>	<u>5,634,418</u>

Refundings

During the fiscal year, the Town issued \$3,000,000 in General Obligation Refunding Bonds to currently refund \$2,970,000 in 2005 General Obligation Bonds. The rate of interest on the old bonds ranged from 3.65% to 3.9%. The rate of the new bond is 1.5%. The Town used the net proceeds to currently retire the bonds. The refunding reduced total debt service over the next six years by approximately \$248,250 and resulted in an economic gain (present value) of approximately \$212,750.

The Town also issued \$1,500,000 in Water and Sewer Refunding Bonds to currently refund \$1,490,000 in Water and Sewer Revenue Tax Bonds. The rate of interest on the old bonds ranged from 3.3% to 3.7%. The rate of the new bonds is 1.1%. The Town used the net proceeds to currently retire the bonds. The refunding reduced total debt service over the next four years by approximately \$82,675 and resulted in an economic gain (present value) of \$80,670.

There were no differences in the reacquisition and carrying amount of the old debt.

The amount of defeased bonds outstanding from prior years' refundings is \$65,000.

Capital Lease

The Town entered into a lease for the purchase of certain recreation equipment. The lease requires repayment terms and has been accounted for as a financing transaction. The Town will have title to the assets by satisfying the minimum lease payments. The assets acquired through the capital lease are as follows:

	Governmental
	<u>Activities</u>
Fitness equipment	\$ 82,334
Less accumulated depreciation	<u>24,632</u>
	<u>\$ 57,702</u>

The future minimum lease obligations and net present value of those payments are as follows:

2015	\$ <u>23,250</u>
Total payments	23,250
Less amount representing interest	<u>1,858</u>
Present value of leased improvements	<u>\$ 21,392</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

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	25
b.)	Terminated Employees Entitled to Deferred Benefits	<u>14</u>
c.)	Total	<u>39</u>
2.	Active Plan Participants:	
a.)	Vested (Fully and Partially)	17
b.)	Non-vested	<u>-</u>
c.)	Total	<u>17</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

June 30, 2014

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
<u>Date</u>	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
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	47.90%
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%
07/1/09	3,343,395	4,829,602	1,486,207	69.2%	1,744,532	85.19%
07/1/10	3,893,765	5,104,613	1,210,848	76.3%	1,779,776	68.03%
07/1/11	4,573,984	5,392,849	818,865	84.8%	1,691,394	48.41%
07/1/12	4,856,725	5,814,050	957,325	83.5%	1,418,477	67.49%
07/1/13	5,083,550	6,027,934	944,384	84.3%	1,111,203	84.99%
07/1/14	5,405,504	6,212,543*	807,039*	87.0%*	N/A	N/A

*Projected.

Notes:

- 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.
- 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).
- 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, 2010 and changed the salary scale assumption. The most recent rate of investment return assumption revision was effective July 1, 2013.
- The July 1, 2013 actuarial valuation data is displayed for informational purposes only since it was available at the time this report was prepared, however, the data is not necessary for June 30, 2014 disclosure.
- 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>
2005	158,012	100.00%
2006	181,399	100.00%
2007	194,816	100.00%
2008	262,931	100.00%
2009	303,353	100.00%
2010	293,237	100.00%
2011	270,800	100.00%
2012	226,738	100.00%
2013	201,810	100.00%
2014	203,062	100.00%

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.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

7) PENSION PLAN AND DEFERRED COMPENSATION PLAN, (Continued)

Determination of Net Pension Liability

The components of the net pension liability at June 30, 2013 were as follows. These numbers are based on liabilities determined as of June 30, 2013, and rolled forward to June 30, 2014.

	<u>June 30, 2014</u>
Total Pension Liability (7.00%)	\$ 6,212,543
Plan Fiduciary Net Position	<u>(5,405,504)</u>
Net Pension Liability	<u>\$ 807,039</u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability 87.01%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Net Pension Liability	\$ 1,676,628	807,039	285,664

Schedule of Investment Returns

	<u>Year ended</u>
	<u>June 30, 2014</u>
Annual money-weighted rate of return, net of investment expense	9.5%

Summary of Actuarial Assumptions

(Sample Values per 1,000 Lives)

	<u>AGE</u>			
	<u>20</u>	<u>35</u>	<u>50</u>	<u>60</u>
<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.

Projected Salary Increases

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
From July 1, 2007 to July 1, 2009, 6% annual increase to age 85
Effective July 1, 2009, 5% annual increase to age 85
Beginning July 1, 2010, 4.5% annual increase to age 85.

Rate of Retirement

Participants are assumed to retire: 100% at age 85.

Rate of Investment Return

Prior to July 1, 2005, 8% per annum. 7.5% per annum July 1, 2005 – June 30, 2011. 7.25% per annum beginning July 1, 2013 – June 30, 2013, 7.25% and effective July 1, 2013, 7% per annum

Inflation Rate

2.25% per annum, compounded annually.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

7) PENSION PLAN AND DEFERRED COMPENSATION PLAN, (Continued)

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 effective July 1, 1999. Prior years were mean of book and market values within 20% of market value.

Post Retirement Benefit Changes

No post retirement benefit changes are planned or anticipated.

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 1,000 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 \$803,747 and the employees contributed \$755,687. 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.

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.

The Town is also in litigation with the supplier of natural gas regarding the amount the Town has been billed for gas over several years. The Town incurred approximately \$560,000 in legal fees this year in relation to this litigation which has been reported as a current year expense in the Gas Fund financial statements. The amount and likelihood of a possible award cannot be determined and no provision has been made in the 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 2014, the Town paid \$144,493 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 2014, the Town paid \$12,164 in rent to the Airport Authority.

The Town has entered into two operating leases for golf course equipment, with annual payments of \$28,349 and \$24,595 through September 2014 and August 2014 respectively. The equipment can be purchased at fair market value at end of lease. Total lease expense for 2014 was \$52,382.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

8) COMMITMENTS AND CONTINGENCIES, (Continued)

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 2014, the Town paid \$20,573.

Gas Service Contract

The Town has a contract with a local industry to provide natural gas service on a firm basis. The contract provides that the Town will guarantee natural gas service to the industry up to 160,000 mcf per month on a "best efforts" basis and deliver the gas at a minimum pressure of 25 pounds per square inch. The industry will be billed all costs incurred plus a mark-up of \$0.31 per mcf. The industry can hedge a portion of their required supply. The Town has entered into an agreement with EDF North America for a financial hedge, with the industry's approval, to allow this practice to continue. The industry will be responsible for all associated costs with the hedge. The contract is through March 2015.

Contracts

At June 30, 2014, the Town had substantially completed all construction contracts.

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 \$403,973, 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 June 2032. Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies. Any disallowed claims, including amounts already collected, could become a liability to the applicable fund.

The Town is in negotiations with the Federal Emergency Management Agency relating to grant reimbursements for flood damage in 2010. Any disallowed claims, including amounts already collected, could become a liability to the applicable fund.

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, 2014, the Authority had net position of \$29,341,730. Net operating losses for the 2014 and 2013 fiscal years were \$286,468 and \$276,308 respectively. During the year, the Town of Smyrna paid a total of \$156,567 in rent for use of Authority property for recreational purposes. Separate financial statements for this joint venture are available at Town of Smyrna Town 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 \$3,650 for approximately seventeen years. Interest accrues at 2% and the balance is \$368,984.

10) INTERFUND TRANSACTIONS

Interfund receivables and payables are attributable to obligations between funds. The actual cash transfer had not been made at June 30, 2014. The composition of interfund balances at June 30, 2014 were as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$ 1,805	Gas Fund	<u>\$4,498</u>
Water & Sewer Fund	1,797		<u>\$4,498</u>
Drug Fund	20		
State Street Aid	54		
Stormwater Fund	<u>822</u>		
	\$ <u>4,498</u>		

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

10) INTERFUND TRANSACTIONS, (Continued)

The interfund amounts related to bank interest credited to the incorrect fund bank account by the bank and cash was not transferred until subsequent to year end. Subsequent to year end, the Town liquidated the interfund amounts.

Internal balances in the Government-wide financial statements also include \$999,648 related to the consolidation of the internal service fund which is netted with the \$2,701 interfund obligation, for a balance of \$996,947.

Interfund transfers for the year ended June 30, 2014 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	<u>Transfer In:</u>			
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental</u>	<u>Totals</u>
Transfer Out:				
Gas Fund	\$ 577,927	-	-	577,927
Water and Sewer Fund	137,620	-	-	137,620
General Fund	-	2,222,836	3,203,770	5,426,606
Nonmajor Governmental Funds	76,834	509,539	-	586,373
Totals	\$ <u>792,381</u>	<u>2,732,375</u>	<u>3,203,770</u>	<u>6,728,526</u>

The transfers from the proprietary funds to the General Fund relate to in-lieu of tax payments.

11) RELATED PARTY TRANSACTIONS

In prior years, the Town extended a loan to the Airport Authority, which is a related organization, but does not meet the criteria for component units. During the year, repayments were made on the loan in the amount of \$33,158.

12) MAJOR CUSTOMER

The Town supplies water, sewer and natural gas services to a large manufacturing company. During the fiscal year ended June 30, 2014, services to this company accounted for the following percentages of total revenues of the stormwater, water, sewer and natural gas fund customer revenues.

Gas Fund	40.8%
Water and Sewer Fund	14.1%
Stormwater Fund	7.1%

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.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

13) RISK MANAGEMENT, (Continued)

Worker's Compensation Insurance Plan

The Town is self insured for its worker's compensation claims up to a limit of \$250,000 per claim. The Town obtained commercial insurance for claims beyond the noted limit.

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 is self-insured to a maximum of \$250,000 per claim for workers' compensation. The Town obtained commercial insurance for claims beyond the above noted amounts.

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.

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>
2011-2012	1,078,520	6,260,840	(6,909,675)	429,685
2012-2013	429,685	5,709,371	(5,684,925)	454,131
2013-2014	454,131	6,253,435	(6,073,678)	633,888*

*The balance includes amounts for medical, workers comp, property and liability claims.

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, except in the previous year the Town experienced flood damage to infrastructure which were not covered by insurance.

14) FUND DEFICIT

A component unit, Industrial Development Fund, ended the fiscal year with a net position deficit of \$932,733. The Industrial Development Board has a lease agreement with the Smyrna Housing Authority, a related organization, that requires annual rental payments in the amount of the required debt service payments. These future required rents are structured and expected to fund the deficit by reducing the debt annually and improving the net position. The amounts are as follows:

2015	\$ 225,200
2016	281,765
2017	277,055
2018	277,093
2019	281,160
thereafter	<u>4,292,145</u>
	<u>\$ 5,634,418</u>

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

15) **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 following budgets were amended:

	<u>Expenditures</u>	<u>Transfers Out</u>
General Fund	\$ 13,302	2,330,279
Capital projects fund	331,345	

The Capital Projects Funds increased appropriations were primarily related to street and police projects and the transfer increases related to transfers to the Capital Projects Fund to fund these projects.

16) **GASB STATEMENTS ISSUED**

For 2014, the Town adopted GASB No. 67, *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*. This statement replaces the requirements of Statement No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The adoption of GASB 67 requires additional disclosures which are included in Note 7.

TOWN OF SMYRNA, TENNESSEE

Notes to Financial Statements

June 30, 2014

17) **GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED**

GASB Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pensions. The requirements of statements are effective for the fiscal year beginning July 1, 2014.

18) **SUBSEQUENT EVENTS**

Subsequent to year end the Town authorized the following debt:

\$6,300,000 (not to exceed) General Obligation Refunding Bonds for the purpose of refunding the 2006 Series General Obligation Bonds. The expected net present value savings is approximately \$264,000.

\$1,800,000 General Obligation Bonds for the purpose of providing funds to loan Smyrna/Rutherford County Airport Authority (a joint venture with Rutherford County) for the acquisition, construction, renovation and equipping of extensions and improvements to the Airport facilities. The County is also participating in the project.

\$5,500,000 General Obligation Bonds for the purpose of improvements to communication system for police, fire, parks and building and grounds departments, improvements to Town buildings and outside lighting for streets and improvements to Water, Sewer and Gas Utility systems.

**COMBINING AND INDIVIDUAL NONMAJOR FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL 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 town 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.

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 disbursement of funds for governmental debt service requirements.

TOWN OF SMYRNA, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

	Special Revenue			Capital Projects	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets:</u>	Drug Fund	State Street Aid Fund	Stormwater Fund	Impact Fee Fund		
Cash in bank	\$83,892	110,955	2,585,593	5,202,656	-	7,983,096
Due from other funds	20	54	822	-	-	896
Due from other governments	159	187,444	-	-	-	187,603
Receivables	-	-	196,863	-	-	196,863
 Total Assets	<u>\$84,071</u>	<u>298,453</u>	<u>2,783,278</u>	<u>5,202,656</u>	<u>-</u>	<u>8,368,458</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>						
Liabilities:						
Accounts payable	\$814	38,621	21,451	109,570	-	170,456
Accrued liabilities	-	-	11,324	-	-	11,324
 Total Liabilities	<u>814</u>	<u>38,621</u>	<u>32,775</u>	<u>109,570</u>	<u>-</u>	<u>181,780</u>
 <u>Deferred Inflows of Resources:</u>						
Unavailable revenues	-	92,493	-	-	-	92,493
 Fund balance:						
Restricted for law enforcement	83,257	-	-	-	-	83,257
Restricted for highways and streets	-	167,339	-	-	-	167,339
Restricted for stormwater	-	-	2,750,503	-	-	2,750,503
Restricted for capital projects	-	-	-	5,093,086	-	5,093,086
 Total Fund Balance	<u>83,257</u>	<u>167,339</u>	<u>2,750,503</u>	<u>5,093,086</u>	<u>-</u>	<u>8,094,185</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$84,071</u>	<u>298,453</u>	<u>2,783,278</u>	<u>5,202,656</u>	<u>-</u>	<u>8,368,458</u>

TOWN OF SMYRNA, TENNESSEE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	Special Revenue			Capital Projects	Debt Service Fund	Total Nonmajor Governmental Funds
	Drug Fund	State Street Aid Fund	Stormwater Fund	Impact Fee Fund		
Revenues:						
Intergovernmental:						
Gasoline tax inspection fees	\$ -	1,038,188	-	-	-	1,038,188
Total Intergovernmental	-	1,038,188	-	-	-	1,038,188
Licenses and permits	-	-	-	846,659	-	846,659
Fines, forfeitures and seizures	92,144	-	-	-	-	92,144
Uses of Money and Property:						
Interest	-	184	-	8,049	-	8,233
Stormwater fees, rental, and sales	-	-	1,491,895	-	-	1,491,895
Total Uses of Money and Property	-	184	1,491,895	8,049	-	1,500,128
Total Revenues	92,144	1,038,372	1,491,895	854,708	-	3,477,119
Expenditures:						
Drug enforcement	62,458	-	-	-	-	62,458
Stormwater	-	-	777,143	-	-	777,143
Highways and streets	-	957,091	-	-	-	957,091
Total Current	62,458	957,091	777,143	-	-	1,796,692
Debt service	-	-	-	-	3,233,770	3,233,770
Total Expenditures	62,458	957,091	777,143	-	3,233,770	5,030,462
Excess (deficiency) of revenues over expenditures	29,686	81,281	714,752	854,708	(3,233,770)	(1,553,343)
Other Financing Sources (Uses):						
Refunding Bond Issued	-	-	-	-	3,000,000	3,000,000
Bonds currently refunded	-	-	-	-	(2,970,000)	(2,970,000)
Transfer from General Fund	-	-	-	-	3,203,770	3,203,770
Transfer to General Fund	-	-	(76,834)	-	-	(76,834)
Transfer to Capital Projects Fund	-	(7,730)	(210,088)	(291,721)	-	(509,539)
Total Other Financing Sources (Uses)	-	(7,730)	(286,922)	(291,721)	3,233,770	2,647,397
Net change in fund balance	29,686	73,551	427,830	562,987	-	1,094,054
Fund balance, beginning of year	53,571	93,788	2,322,673	4,530,099	-	7,000,131
Fund balance, end of year	\$83,257	167,339	2,750,503	5,093,086	-	8,094,185

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines, forfeitures and seizures	\$108,156	108,156	92,144	(16,012)
Total Revenue	108,156	108,156	92,144	(16,012)
Expenditures:				
Current:				
Miscellaneous:				
Drug enforcement	108,000	108,000	62,458	45,542
Total Current	108,000	108,000	62,458	45,542
Total Expenditures	108,000	108,000	62,458	45,542
Excess (deficiency) of revenues over expenditures	156	156	29,686	29,530
Net change in fund balance	156	156	29,686	29,530
Fund balance, beginning of year	53,571	53,571	53,571	-
Fund balance, end of year	\$53,727	53,727	83,257	29,530

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Intergovernmental:				
State gasoline and motor fuel tax	\$1,021,000	1,021,000	1,038,188 *	17,188
Uses of Money and Property:				
Interest	-	-	184	184
Total Revenues	1,021,000	1,021,000	1,038,372	17,372
Expenditures:				
Current:				
Street maintenance - repairs	532,000	532,000	497,137	34,863
Lighting	405,000	405,000	408,143	(3,143)
Signals	37,500	37,500	51,811	(14,311)
Total Current	974,500	974,500	957,091	17,409
Total Expenditures	974,500	974,500	957,091	17,409
Excess (deficiency) of revenues over expenditures	46,500	46,500	81,281	34,781
Other Financing Sources (Uses):				
Transfers out	(28,250)	(28,250)	(7,730)	20,520
Net change in fund balance	18,250	18,250	73,551	55,301
Fund balance, beginning of year	93,788	93,788	93,788	-
Fund balance, end of year	\$112,038	112,038	167,339	55,301
			Gas 1989 Tax	\$114,333
			Gas 3 Cent Tax	212,203
			Gasoline-Motor Fuel City Tax	711,652
			\$1,038,188 *	

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Revenues:	Original	Final	Amounts	
Licenses and permits	\$900,000	900,000	846,659	(53,341)
Uses of Money and Property:				
Interest	18,000	18,000	8,049	(9,951)
Total Revenue	918,000	918,000	854,708	(63,292)
Expenditures:	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	918,000	918,000	854,708	(63,292)
Other Financing Sources (Uses):				
Transfers to Capital Project Fund	(2,102,500)	(2,102,500)	(291,721)	1,810,779
Total Other Financing Sources (Uses)	(2,102,500)	(2,102,500)	(291,721)	1,810,779
Net change in fund balance	(1,184,500)	(1,184,500)	562,987	1,747,487
Fund balance, beginning of year	4,530,099	4,530,099	4,530,099	-
Fund balance, end of year	\$3,345,599	3,345,599	5,093,086	1,747,487

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, 2014

	Budgeted Amounts		Actual	Variance with
Revenues:	Original	Final	Amounts	Final Budget Positive (Negative)
Uses of Money and Property:				
Fees	\$1,448,500	1,448,500	1,491,895	43,395
Total Revenue	1,448,500	1,448,500	1,491,895	43,395
Expenditures:				
Stormwater:				
Salaries	399,840	399,840	393,780	6,060
Benefits and payroll taxes	232,725	232,725	193,764	38,961
Memberships and registrations	4,450	4,450	3,819	631
Telephone	2,500	2,500	760	1,740
Supplies	9,700	9,700	17,196	(7,496)
Professional services	187,675	187,675	156,001	31,674
Other	18,925	18,925	11,823	7,102
Total Expenditures	855,815	855,815	777,143	78,672
Excess (deficiency) of revenues over expenditures	592,685	592,685	714,752	122,067
Other Financing Sources (Uses):				
Transfers to General Fund	(76,834)	(76,834)	(76,834)	-
Transfers to Capital Project Fund	(672,775)	(672,775)	(210,088)	462,687
Total Other Financing Sources (Uses)	(749,609)	(749,609)	(286,922)	462,687
Net change in fund balance	(156,924)	(156,924)	427,830	584,754
Fund balance, beginning of year	2,322,673	2,322,673	2,322,673	-
Fund balance, end of year	\$2,165,749	2,165,749	2,750,503	584,754

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental :				
Grants - state and federal	\$1,200,000	1,456,193	221,213	(1,234,980)
Total Intergovernmental	<u>1,200,000</u>	<u>1,456,193</u>	<u>221,213</u>	<u>(1,234,980)</u>
Total Revenue	<u>1,200,000</u>	<u>1,456,193</u>	<u>221,213</u>	<u>(1,234,980)</u>
Expenditures:				
Recreation and Culture:				
Current				
Supplies & repairs	231,179	231,179	142,068	89,111
Capital outlay	1,700,000	1,700,000	234,675	1,465,325
Community Development:				
Current				
Supplies	-	-	11,573	(11,573)
Capital outlay	22,450	61,550	49,939	11,611
Highways and Streets:				
Current				
Supplies & repairs	129,375	298,125	43,461	254,664
Capital outlay	2,000,000	2,000,000	470,864	1,529,136
Public Safety:				
Current				
Supplies - fire	121,188	121,188	111,958	9,230
Supplies - police	35,895	35,895	30,131	5,764
Capital outlay - fire	734,459	780,459	132,445	648,014
Capital outlay - police	735,609	806,307	812,057	(5,750)
Stormwater				
Current				
Supplies & repairs	10,000	10,000	3,680	6,320
Capital outlay	662,775	662,775	206,408	456,367
General Government:				
Current				
Supplies & repairs	144,241	164,886	100,798	64,088
Capital outlay	800,000	800,000	603,531	196,469
Total Expenditures	<u>7,327,171</u>	<u>7,672,364</u>	<u>2,953,588</u>	<u>4,718,776</u>
Excess (deficiency) of revenues over expenditures	<u>(6,127,171)</u>	<u>(6,216,171)</u>	<u>(2,732,375)</u>	<u>3,483,796</u>
Other Financing Sources:				
Capital lease proceeds	2,671,799	-	-	-
Transfers from State Street Aid Fund	28,250	28,250	7,730	(20,520)
Transfers from Impact Fee Fund	2,102,500	2,102,500	291,721	(1,810,779)
Transfers from Stormwater Fund	672,775	672,775	210,088	(462,687)
Transfers from General Fund	651,847	2,443,025	2,222,836	(220,189)
Total Other Financing Sources	<u>6,127,171</u>	<u>5,246,550</u>	<u>2,732,375</u>	<u>(2,514,175)</u>
Net change in fund balance	<u>-</u>	<u>(969,621)</u>	<u>-</u>	<u>969,621</u>
Fund balance, beginning of year	<u>420,020</u>	<u>420,020</u>	<u>420,020</u>	<u>-</u>
Fund balance, end of year	<u>\$420,020</u>	<u>(549,601)</u>	<u>420,020</u>	<u>969,621</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Cash Flow

Proprietary Fund Type - Component Unit

Industrial Development Fund

For the Year Ended June 30, 2014

Cash Flows from Operating Activities:	
Cash received from customers	\$234,000
Net Cash Provided (Used) by Operating Activities	<u>234,000</u>
Cash Flows from Capital and Related Financing Activities:	
Interest paid on debt	(167,449)
Payments on long-term debt	<u>(60,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(227,449)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>8</u>
Net Cash Provided (Used) by Investing Activities	<u>8</u>
Net Increase (Decrease) in Cash	6,559
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>55,821</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u><u>\$62,380</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>	
Operating income (loss)	\$105,489
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	<u>128,511</u>
Net Cash Provided (used) for Operating Activities	<u><u>\$234,000</u></u>

TOWN OF SMYRNA, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2014

Function and Activity	Land	Buildings & Improvements	Improvements Other Than Buildings	Equipment	Infrastructure	Construction In Progress	Total
General government	\$1,568,588	5,704,039	813,530	3,532,831	169,920	543,714	12,332,622
Public safety:							
Police	216,060	3,624,245	-	4,037,136	-	534,205	8,411,646
Fire	155,690	5,069,090	132,844	5,665,930	-	-	11,023,554
Highways and streets	1,431,685	177,628	1,915,600	2,394,842	107,151,309	798,820	113,869,884
Stormwater	-	-	387,579	469,155	285,369	28,372	1,170,475
Recreation	2,160,665	6,784,096	12,757,174	3,018,022	1,179,190	1,374,587	27,273,734
Community development	-	3,622,865	-	211,023	-	-	3,833,888
Total governmental capital assets	<u>\$5,532,688</u>	<u>24,981,963</u>	<u>16,006,727</u>	<u>19,328,939</u>	<u>108,785,788</u>	<u>3,279,698</u>	<u>177,915,803</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2014

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	\$18,321,453
Local Government Investment Pool	Various	64,667
Change funds	-	3,733
Total General Fund		<u>18,389,853</u>
<u>Capital Projects Fund:</u>		
Demand deposits and savings	-	881,701
Total Capital Projects Fund		<u>881,701</u>

Nonmajor Governmental Funds

<u>Drug Fund:</u>		
Cash	-	100
Demand deposit	-	83,792
Total Drug Fund		<u>83,892</u>
<u>State Street Aid Fund:</u>		
Local Government Investment Pool	Various	1,079
Demand deposits and savings	Various	109,876
Total State Street Aid Fund		<u>110,955</u>
<u>Impact Fee Fund:</u>		
Demand deposits and savings	Various	5,202,656
Total Impact Fee Fund		<u>5,202,656</u>
<u>Stormwater Fund:</u>		
Demand deposits and savings	-	2,585,593
Total Stormwater Fund		<u>2,585,593</u>

Proprietary Funds:

<u>Water and Sewer Fund:</u>		
Demand deposits and savings	Various	6,074,363
Local Government Investment Pool	Various	1,781
Change funds	-	600
Total Water and Sewer Fund		<u>6,076,744</u>
<u>Natural Gas Fund:</u>		
Local Government Investment Pool	Various	1,030
Demand deposits and savings	Various	10,813,753
Total Natural Gas Fund		<u>10,814,783</u>
<u>Internal Service Fund:</u>		
Demand deposits and savings	Various	3,173,331
Total Internal Service Fund		<u>3,173,331</u>
Total Primary Government		<u>\$47,319,508</u>

Component Units:

<u>Industrial Development Fund:</u>		
Demand deposits and savings	-	\$62,380
Total Industrial Development Fund		<u>\$62,380</u>
<u>Charity Assistance Fund:</u>		
Demand deposits and savings	-	\$18,083
Total Industrial Development Fund		<u>\$18,083</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Changes in Property Taxes Receivable

General Fund

For the Year Ended June 30, 2014

<u>Fiscal Year</u>	<u>Balance June 30, 2013</u>	<u>Adjustments/ Assessments</u>	<u>Collections</u>	<u>Balance June 30, 2014</u>
2013 - 2014	\$ -	9,202,940	9,031,791	171,149
2012 - 2013	249,731	(55,683)	139,842	54,206
2011 - 2012	115,783	(55,081)	21,738	38,964
2010 - 2011	32,616	(1,899)	12,969	17,748
2009 - 2010	24,399	-	5,406	18,993
2008 - 2009	16,709	-	1,877	14,832
2007 - 2008	14,955	-	977	13,978
2006 - 2007	9,667	-	587	9,080
2005 - 2006	2,391	-	153	2,238
2004 - 2005	6,337	-	154	6,183
2003 - 2004	7,285	(7,285)	-	-
	-			
	<u>\$479,873</u>	<u>9,082,992</u>	<u>9,215,494</u>	<u>347,371</u>
2014 - 2015**				<u>8,973,569</u>
Property taxes receivable per Governmental Funds Financial Statements				<u>9,320,940</u>
Allowance for uncollectibles				<u>(56,203)</u>
Property taxes receivable per Government Wide Financial Statements				<u>\$9,264,737</u>

Fiscal year 2011-2012 and prior have been turned over to the County Clerk and Master for collection.

** Unlevied taxes receivable (Anticipated current year levy)

TOWN OF SMYRNA, TENNESSEE

Schedule of Maturities of Bond and Other Indebtedness
and Interest Requirements

General Obligation

June 30, 2014

Year Ending <u>June 30,</u>	2006 General Obligation Bonds	2008 General Obligation Bonds	2009 General Obligation Bonds	2014 General Obligation Bonds	2012 & 2013 Capital Outlay Notes	Principle Requirements	Interest Requirements	Total
2015	\$820,000	313,267	200,000	470,000	411,093	2,214,360	580,453	2,794,813
2016	855,000	332,010	200,000	480,000	411,093	2,278,103	517,765	2,795,868
2017	885,000	348,075	210,000	510,000	203,673	2,156,748	455,145	2,611,893
2018	920,000	358,785	210,000	500,000	-	1,988,785	392,782	2,381,567
2019	955,000	374,850	220,000	510,000	-	2,059,850	330,245	2,390,095
2020	995,000	396,270	220,000	530,000	-	2,141,270	264,639	2,405,909
2021	1,030,000	417,690	230,000	-	-	1,677,690	195,371	1,873,061
2022	1,075,000	439,110	250,000	-	-	1,764,110	130,239	1,894,349
2023	-	460,530	250,000	-	-	710,530	60,826	771,356
2024	-	481,950	260,000	-	-	741,950	31,437	773,387
	<u>\$7,535,000</u>	<u>3,922,537</u>	<u>2,250,000</u>	<u>3,000,000</u>	<u>1,025,859</u>	<u>17,733,396</u>	<u>2,958,902</u>	<u>20,692,298</u>

TOWN OF SMYRNA, TENNESSEE

Schedule of Maturities of Indebtedness and Interest Requirements

Enterprise Fund

June 30, 2014

Year Ending June 30,	Water and Sewer Fund						Revolving Loan	Revolving Loan	Interest Requirements	Total
	2001	2008	Bond Issues 2009	2009	2011	2014				
2015	\$55,000	271,733	500,000	1,150,000	1,000,000	370,000	14,784	148,188	1,576,674	5,086,379
2016	-	287,990	525,000	1,240,000	1,030,000	370,000	15,072	151,391	1,497,818	5,117,271
2017	-	301,925	525,000	1,300,000	1,070,000	380,000	15,360	154,662	1,372,982	5,119,929
2018	-	311,216	550,000	1,350,000	1,100,000	380,000	15,660	158,005	1,259,036	5,123,917
2019	-	325,150	575,000	1,720,000	1,150,000	-	15,972	161,419	1,148,836	5,096,377
2020	-	343,730	600,000	1,790,000	1,200,000	-	16,284	164,908	999,981	5,114,903
2021	-	362,310	600,000	1,850,000	1,250,000	-	16,596	168,472	851,861	5,099,239
2022	-	380,890	630,000	1,920,000	1,350,000	-	16,932	172,112	696,919	5,166,853
2023	-	399,470	700,000	1,990,000	1,400,000	-	17,256	175,832	522,701	5,205,259
2024	-	418,049	725,000	2,060,000	1,450,000	-	17,592	179,632	344,189	5,194,462
2025	-	-	-	-	1,550,000	-	17,940	183,515	155,595	1,907,050
2026	-	-	-	-	1,600,000	-	18,288	187,481	91,218	1,896,987
2027	-	-	-	-	-	-	18,648	191,532	22,807	232,987
2028	-	-	-	-	-	-	19,020	195,671	18,296	232,987
2029	-	-	-	-	-	-	19,392	199,901	13,694	232,987
2030	-	-	-	-	-	-	19,764	204,220	9,002	232,986
2031	-	-	-	-	-	-	20,148	208,633	4,206	232,987
2032	-	-	-	-	-	-	20,556	52,872	428	73,856
2033	-	-	-	-	-	-	1,620	-	-	1,620
	<u>\$55,000</u>	<u>3,402,463</u>	<u>5,930,000</u>	<u>16,370,000</u>	<u>15,150,000</u>	<u>1,500,000</u>	<u>316,884</u>	<u>3,058,446</u>	<u>10,586,243</u>	<u>56,369,036</u>

TOWN OF SMYRNA, TENNESSEE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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

CFDA Number	Program Name	Grantor Agency	Expenditures
14.239	Home Program	US Department of Housing and Urban Dev	\$20,625
16.607	Bullet Proof Vests Grant	US Department of Justice	\$9,070
16.611	Organized Crime Grant	US Department of Justice	\$5,000
20.205	* Greenways Grant	Federal Highway Adminidtration	49,495
20.205	* Emergency Relief Program	Federal Highway Adminidtration	** 382,577
20.205	* Transportation Enhancement Program	Federal Highway Adminidtration	2,227
20.600	COMET Grant	Federal Highway Adminidtration	1,861
20.610	Network Coordinator Grant	TN Department of Transportation	48,718
			<u>\$519,573</u>

This schedule was prepared using the accrual basis of accounting.

At June 30, 2014, there was a Department of Housing and Urban Development Home Investment Partnership Grant Note outstanding. (CFDA #14.239). The funds, in the amount of \$403,973 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 for \$195,000 and through June 2032 for the remainder.

* Major Federal Program

** These funds were expended in a prior fiscal year relating to flood damage, however, they were approved for reimbursement during fiscal year 2014.

TOWN OF SMYRNA, TENNESSEE
Schedule of Federal and State Financial Assistance
For the Year Ended June 30, 2014

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, 2013	Program Income & Grant Receipts	Adjustments	Expenditures	(Accrued) or Deferred Revenue at June 30, 2014
97.036	N/A	* Public Assistance Grant	Federal Emergency Management Agency	(\$79,052)	-	-	-	(79,052)
14.239	HM-12-21	HOME Grant	Tennessee Housing Agency	-	-	-	20,625	(20,625)
16.607	N/A	Bulletproof Vest Grant	U.S. Department of Justice	(3,405)	10,146	-	9,070	(2,329)
16.611	SE-TNM-0179	Organized Crime Grant	U.S. Department of Justice	-	4,371	-	5,000	(629)
20.205	HPP-9315 HPP-7500	Greenways Grant	Federal Highway Administration	(2,129)	25,144	-	49,495	(26,480)
20.205	75952-4566-04	** Emergency Relief Program	TN Department of Transportation	-	-	-	382,577	(382,577)
20.205	STPM-M-266(20)	Transportation Enhancement Program	TN Department of Transportation	-	2,227	-	2,227	-
20.600	DTNH22-10-H-00328	COMET Grant	Federal Highway Administration	(555)	2,416	-	1,861	-
20.610	154AL-13-211 154AL-14-101	Network Coordinator Grant	TN Department of Transportation	(2,775)	41,098	-	48,718	(10,395)
Total Federal Assistance				<u>(\$87,916)</u>	<u>85,402</u>	<u>-</u>	<u>519,573</u>	<u>(522,087)</u>
State Grants:								
		Public Assistance Grant	Tennessee Emergency Management Agency	(\$19,996)	-	-	-	(19,996)
	PIN 117458.00	State Industrial Access Program	TN Department of Transportation	(22,188)	-	-	102,074	(124,262)
Total State Assistance				<u>(\$42,184)</u>	<u>-</u>	<u>-</u>	<u>102,074</u>	<u>(144,258)</u>

This schedule was prepared using the accrual basis of accounting.

* The Town is in negotiations with the Federal Emergency Agency regarding disputed claims from the 2010 flood.

** These funds were expended in a prior fiscal year relating to flood damage, however, they were approved for reimbursement during fiscal year 2014.

TOWN OF SMYRNA, TENNESSEE

Schedule of Utility Data

June 30, 2014

<u>Services</u>		<u>Number of Customers</u>
Water	*	13,579
Sewer	*	13,717
Natural Gas		9,915
Fire Hydrants		1,476

Rates

Water (in Town)		
First 2,000 gallons	\$10.45	
2,001 - 5,000 gallons	3.25/1,000 gallons	
5,001 - 10,000 gallons	3.70/1,000 gallons	
thereafter	4.15/1,000 gallons	
Water (outside Town)		
First 2,000 gallons	\$12.80	
2,001 - 5,000 gallons	4.80/1,000 gallons	
5,001 - 10,000 gallons	5.30/1,000 gallons	
thereafter	6.10/1,000 gallons	
Repurified Water		
First 2,000 gallons	\$10.00	
(April - October)	2.00/1,000 gallons	
(November - March)	1.00/1,000 gallons	
Sewer (in Town)		
First 2,000 gallons	\$14.60	
thereafter	3.90/1,000 gallons	
Sewer (outside Town)		
First 2,000 gallons	\$21.80	
thereafter	5.20/1,000 gallons	
Natural Gas		
Residential and Small Commercial	\$3.50 demand charge	
Excess at current market rate		

* The number of water and sewer customers decreased from the prior year due to the removal of duplicate accounts discovered as a result of the change in billing software.

TOWN OF SMYRNA, TENNESSEE

STATISTICAL SECTION

This part of the Town of Smyrna's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

		Schedule #
Contents		
Financial Trends	These Schedules contain trend information to help readers understand how theTown's financial performance and well - being have changed over time.	1-4
Revenue Capacity	These Schedules contain information to help readers assess the Town's most significant local revenue source-its property tax.	5-8
Debt Capacity	These Schedules present information to help readers assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	9-13
Demographic and Economic Information	These Schedules offer demographic and economic indicators to help readers understand the environment within which the Town's financial activities take place.	14-15
Operating Information	These Schedules contain service and infrastructure data to help readers understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	16-18

Except where noted, the information in these Schedules is derived from the Town of Smyrna's comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2003.

TOWN OF SMYRNA, TENNESSEE

**Financial Trends Information -
Net Position by Components - Last Ten Years**

Schedule 1

(Prepared using the accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Governmental Activities:</u>										
Net investment in capital assets	\$72,761,202	68,025,896	67,127,060	81,028,922	80,698,915	78,000,723	77,232,023	77,980,535	76,999,847	80,785,740
Restricted for:										
Cemetery maintenance	-	-	-	-	-	-	453,875	510,430	558,342	600,822
Capital projects	-	6,330,006	8,289,938	3,920,073	3,254,231	5,712,407	4,504,069	4,311,274	4,530,099	5,513,106
Highway and streets maintenance	418,214	592,621	369,905	458,202	277,135	162,467	156,300	177,509	190,200	259,832
Stormwater	-	-	-	-	240,696	749,539	1,310,636	1,771,032	2,296,550	2,718,258
Law enforcement	70,032	100,417	89,515	10,154	50,190	50,900	40,712	71,091	53,571	83,257
Unassigned	15,261,124	13,533,314	14,941,843	12,901,333	14,827,610	14,393,586	13,006,648	13,613,831	15,566,065	20,077,540
Total Governmental Activities Net Position	\$88,510,572	88,582,254	90,818,261	98,318,684	99,348,777	99,069,622	96,704,263	98,435,702	100,194,674	110,038,555
<u>Business-Type Activities</u>										
Net investment in capital assets	\$77,883,216	74,793,196	83,143,805	88,240,098	90,640,122	92,392,866	94,513,896	97,067,481	96,772,588	97,024,340
Other projects										
Unassigned	14,794,356	22,356,383	18,220,129	17,806,928	14,945,067	15,471,631	13,555,568	10,151,659	13,605,629	18,619,992
Total Business-type Activities Net Position	\$92,677,572	97,149,579	101,363,934	106,047,026	105,585,189	107,864,497	108,069,464	107,219,140	110,378,217	115,644,332
<u>Primary Government</u>										
Net investment in capital assets	\$150,644,418	142,819,092	150,270,865	169,269,020	171,339,037	170,393,589	171,745,919	175,048,016	173,772,435	177,810,080
Restricted for:										
Cemetery maintenance	-	-	-	-	-	-	453,875	510,430	558,342	600,822
Capital projects	-	6,330,006	8,289,938	3,920,073	3,254,231	5,712,407	4,504,069	4,311,274	4,530,099	5,513,106
Highway and streets maintenance	418,214	592,621	369,905	458,202	277,135	162,467	156,300	177,509	190,200	259,832
Stormwater	-	-	-	-	240,696	749,539	1,310,636	1,771,032	2,296,550	2,718,258
Law enforcement	70,032	100,417	89,515	10,154	80,190	50,900	40,712	71,091	53,571	83,257
Unassigned	30,055,480	35,889,697	33,161,972	30,708,261	29,773,677	29,865,217	26,562,216	23,765,490	29,171,694	38,697,532
Total Primary Government Net Position	\$181,188,144	185,731,833	192,182,195	204,365,710	204,964,966	206,934,119	204,773,727	205,654,842	210,572,891	225,682,887

TOWN OF SMYRNA, TENNESSEE
Financial Trends Information -
Changes in Net Position - Last Ten Fiscal Years

Schedule 2
(Prepared using the accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental Activities:										
General government	\$5,563,874	5,061,806	6,768,869	6,657,254	7,400,713	7,239,734	8,275,614	7,321,245	7,372,627	6,928,238
Public safety:										
Police	6,641,013	7,077,628	7,654,928	8,542,244	9,258,680	9,147,791	9,568,842	9,318,385	8,847,423	8,445,483
Fire	4,027,527	4,612,143	5,420,422	6,514,220	7,701,989	8,361,813	8,379,595	8,249,674	8,073,938	7,857,744
Highways and streets	4,095,570	4,098,322	5,064,368	4,277,621	4,737,861	4,863,802	4,801,834	4,517,730	4,879,112	4,679,915
Recreation	3,657,874	4,023,565	4,124,288	4,202,662	4,490,983	4,747,459	4,650,655	4,540,006	4,336,852	4,585,924
Community development	1,271,640	1,259,350	1,385,545	1,380,316	1,464,050	1,319,116	1,331,653	1,362,977	1,271,570	1,380,340
Stormwater	-	-	-	508,715	502,108	542,203	593,683	677,236	772,488	928,982
Interest expense on long-term debt	115,232	290,279	556,204	669,262	701,726	805,659	820,094	775,834	740,988	684,044
Total Governmental Activities Expenses	25,372,730	26,423,093	30,974,624	32,752,294	36,258,110	37,027,577	38,421,970	36,763,087	36,294,998	35,490,670
Business-Type Activities:										
Water and Sewer	8,356,911	9,390,817	10,556,573	11,573,972	13,198,485	12,902,379	13,312,416	13,426,393	13,499,799	15,235,532
Natural Gas	19,591,008	29,037,668	21,449,470	24,453,363	17,043,684	15,005,690	13,663,394	13,005,327	12,620,752	16,865,335
Total Business-type Activities Expenses	27,947,919	38,428,485	32,006,043	36,027,335	30,242,169	27,908,069	26,975,811	26,431,720	26,120,551	32,100,867
Total Primary Government Expenses	\$53,320,649	64,851,578	62,980,667	68,779,629	66,500,279	64,935,646	65,397,781	63,194,807	62,415,549	67,591,538
Program Revenues:										
Governmental Activities:										
Charges for services:										
General government	\$1,974,949	2,016,897	2,818,417	2,855,749	2,813,332	2,391,810	2,334,212	2,441,772	2,466,490	2,408,583
Public safety:										
Police	992,196	1,226,683	1,280,633	1,393,064	1,741,817	1,788,134	1,686,516	1,730,954	1,676,133	1,415,946
Highways and streets	352,236	-	-	-	-	-	-	-	-	-
Recreation	1,521,377	1,419,746	1,368,034	1,350,495	1,336,957	1,220,047	1,395,252	1,511,587	1,499,155	1,525,046
Community development	332,359	383,774	426,705	494,004	415,078	407,418	183,142	188,995	168,638	172,812
Stormwater	-	-	-	22,358	1,201,498	1,382,106	1,431,163	1,462,760	1,481,119	1,491,895
Operating grants and contributions	949,548	1,009,732	1,021,278	1,048,308	1,126,471	1,335,960	1,283,978	1,534,671	2,039,015	1,783,789
Capital grants and contributions	9,783,930	2,796,879	3,939,901	9,198,553	4,146,351	3,190,854	1,779,839	3,276,378	1,880,582	6,248,860
Total Governmental Activities Program Revenues	15,906,595	8,853,711	10,854,968	16,362,531	12,781,504	11,716,329	10,094,102	12,147,117	11,211,132	15,046,931
Business-Type Activities:										
Charges for services:										
Water and Sewer	8,123,010	9,900,995	10,891,300	10,667,269	11,507,794	11,713,484	13,089,220	14,237,225	15,718,937	15,917,871
Natural Gas	19,959,549	30,046,208	21,994,277	20,960,243	17,646,478	15,492,084	12,413,680	9,648,504	12,790,335	17,515,085
Capital grants and contributions:										
Water and Sewer	2,833,215	2,641,724	2,749,231	4,973,605	911,091	3,278,145	2,064,306	2,139,912	1,943,293	4,563,075
Natural Gas	233,849	147,802	141,767	137,406	73,513	77,890	26,777	57,011	45,331	55,845
Total Business-type Activities Program Revenues	31,149,623	42,736,729	35,776,575	36,738,523	30,138,876	30,561,603	27,593,983	26,082,652	30,497,896	38,051,876
Total Primary Government Program Revenues	\$47,056,218	51,590,440	46,631,543	53,101,054	42,920,380	42,277,932	37,688,085	38,229,769	41,709,028	53,098,807
Net (Expense)/Revenue										
Governmental Activities	(\$9,466,135)	(17,569,382)	(20,119,657)	(16,389,763)	(23,476,606)	(25,311,249)	(28,327,868)	(24,615,970)	(25,083,866)	(20,443,739)
Business-Type Activities	3,201,704	4,308,244	3,770,532	4,711,188	(103,293)	2,653,534	618,172	(349,068)	4,377,345	5,951,009
Total Primary Government Net Expense	(\$6,264,431)	(13,261,138)	(16,349,125)	(11,678,575)	(23,579,899)	(22,657,715)	(27,709,696)	(24,965,038)	(20,706,521)	(14,492,731)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property and in lieu of taxes	\$5,751,277	6,196,997	8,689,991	9,195,425	9,503,939	10,105,333	10,049,065	10,100,115	10,047,891	12,183,830
Sales	5,552,537	6,167,905	6,478,662	8,187,025	8,648,135	8,555,022	8,967,292	9,278,787	10,116,499	10,891,630
Business	200,085	203,263	225,500	222,870	343,648	438,371	728,197	951,603	1,155,289	1,142,163
Wholesale beer	890,405	898,585	941,030	1,006,374	1,046,230	1,013,015	1,036,175	1,090,307	1,138,256	1,140,276
Hotel / motel tax	-	-	-	-	-	259,802	259,613	304,430	424,920	412,285
Cable TV Franchise tax	-	-	-	-	-	419,303	440,851	474,154	544,562	516,136
Other locally assessed taxes	409,234	476,060	558,644	649,946	651,942	33,623	26,621	25,626	27,481	26,565
State shared income taxes	43,994	73,315	227,850	92,374	87,762	46,784	60,874	57,141	75,934	106,200
State shared beer taxes	14,701	16,471	17,781	18,118	19,859	18,867	19,862	19,622	19,763	18,915
State shared sales taxes	1,811,652	2,210,226	2,380,658	2,381,871	2,509,843	2,424,132	2,533,912	2,711,648	2,763,240	2,855,975
State shared mixed drink tax	-	-	123,658	139,446	159,292	174,081	173,260	93,635	95,056	107,223
Other state shared taxes	259,032	271,794	262,171	235,848	233,303	266,905	241,384	23,041	24,936	27,803
Unrestricted investment earnings and rental income	494,020	1,035,367	1,562,488	1,058,635	316,030	439,556	441,617	437,803	225,037	26,664
Other	35,937	133,587	338,896	128,311	406,690	227,172	343,927	76,185	97,612	116,408
Transfers	512,850	425,354	548,335	573,943	580,026	610,127	639,859	703,312	708,257	715,547
Total Governmental Activities	15,975,724	18,108,924	22,355,664	23,890,186	24,506,699	25,032,093	25,962,509	26,347,409	27,464,733	30,287,620
Business-Type Activities:										
Investments earnings	211,476	587,785	992,158	659,593	211,977	232,405	225,070	202,056	94,510	27,036
Other	-	1,333	-	(113,745)	9,505	3,496	1,583	-	18,775	3,617
Transfers	(512,850)	(425,354)	(548,335)	(573,944)	(580,026)	(610,127)	(639,859)	(703,312)	(708,257)	(715,547)
Total Business-type Activities	(301,374)	163,764	443,823	(28,096)	(358,544)	(374,226)	(413,206)	(501,256)	(594,972)	(684,894)
Total Primary Government	\$15,674,350	18,272,688	22,799,487	23,862,090	24,148,155	24,657,867	25,549,303	25,846,153	26,869,761	29,602,726
Change in Net Position										
Governmental activities	\$6,509,589	539,542	2,236,007	7,500,423	1,030,093	(279,156)	(2,365,359)	1,731,439	2,380,867	9,843,881
Business-type activities	2,900,330	4,472,008	4,214,355	4,683,092	(461,837)	2,279,308	204,967	(850,324)	3,782,373	5,266,115
Total Primary Government	\$9,409,919	5,011,550	6,450,362	12,183,515	568,256	2,000,152	(2,160,392)	881,115	6,163,240	15,109,996

TOWN OF SMYRNA, TENNESSEE

**Financial Trends Information -
Fund Balances of Governmental Funds - Last Ten Fiscal Years**

Schedule 3

(Prepared using the modified accrual basis of accounting)-unaudited

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Funds:										
General Fund										
Reserved	\$ -	-	-	-	432,408	378,481	322,641	257,970	205,283	170,518
Unreserved and undesignated	-	-	-	-	14,724,536	14,666,346	16,053,343	15,186,843	13,420,207	12,897,312
Nonspendable	96,843	89,785	77,458	69,667	-	-	-	-	-	-
Restricted	600,822	558,342	510,430	453,875	-	-	-	-	-	-
Assigned	-	-	2,441,742	2,625,725	-	-	-	-	-	-
Unassigned	18,810,745	15,266,713	10,689,761	10,530,089	-	-	-	-	-	-
Total General Fund	<u>\$19,508,410</u>	<u>15,914,840</u>	<u>13,719,391</u>	<u>13,679,356</u>	<u>15,156,944</u>	<u>15,044,827</u>	<u>16,375,984</u>	<u>15,444,813</u>	<u>13,625,490</u>	<u>13,067,830</u>
All Other Governmental Funds										
Reserved	\$ -	-	-	-	213,750	230,980	228,549	245,288	261,991	261,280
Unreserved reported in:										
Capital Projects Fund	-	-	-	-	1,606,318	(200,979)	(2,988,927)	3,383,891	2,221,906	(318,467)
Special Revenue Funds	-	-	-	-	4,397,196	3,642,680	3,258,076	4,982,376	4,650,340	3,173,276
Nonspendable	-	-	160,497	170,456	-	-	-	-	-	-
Restricted in capital projects funds	5,513,106	4,950,119	4,771,376	5,673,986	-	-	-	-	-	-
Restricted in special revenue funds	3,001,099	2,470,032	1,963,694	1,418,039	-	-	-	-	-	-
Total all other governmental funds	<u>8,514,205</u>	<u>7,420,151</u>	<u>6,895,567</u>	<u>7,262,481</u>	<u>6,217,264</u>	<u>3,672,681</u>	<u>497,698</u>	<u>8,611,555</u>	<u>7,134,237</u>	<u>3,116,089</u>
Total Governmental Funds	<u>\$28,022,615</u>	<u>23,334,991</u>	<u>20,614,958</u>	<u>20,941,837</u>	<u>21,374,208</u>	<u>18,717,508</u>	<u>16,873,682</u>	<u>24,056,368</u>	<u>20,759,727</u>	<u>16,183,919</u>

* In 2011 the classifications of fund balance have been changed to reflect the implementation of GASB 54.

TOWN OF SMYRNA, TENNESSEE

**Financial Trend Information -
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years**

Schedule 4

(Prepared using the modified accrual basis of accounting)-unaudited

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Taxes and in lieu tax	\$26,300,119	23,419,317	22,364,500	21,300,902	20,638,744	20,118,749	19,080,244	16,820,307	13,910,099	12,734,876
Licenses and permits	1,727,518	1,535,238	1,762,861	1,089,550	1,364,206	3,410,039	2,803,239	3,314,920	2,803,006	3,074,314
Intergovernmental	4,999,448	5,128,803	4,437,303	4,563,135	4,286,974	4,149,290	3,891,156	4,016,468	3,989,844	5,115,717
Fines and fees	1,415,946	1,676,133	1,730,954	1,686,516	1,788,134	1,741,817	1,393,064	1,280,633	1,226,683	992,196
Uses of property and money	4,743,143	5,123,552	5,345,419	5,226,554	5,173,416	5,298,204	4,473,629	4,711,142	3,943,962	3,776,444
Other	116,408	185,752	86,745	358,819	403,673	485,317	145,277	413,199	133,587	323,007
Total revenues	<u>39,302,582</u>	<u>37,068,795</u>	<u>35,727,782</u>	<u>34,225,476</u>	<u>33,655,147</u>	<u>35,203,416</u>	<u>31,786,609</u>	<u>30,556,669</u>	<u>26,007,181</u>	<u>26,016,554</u>
Expenditures:										
General government	6,227,212	6,435,101	6,899,647	7,891,085	6,634,723	6,637,331	6,068,365	6,321,154	4,934,043	4,718,156
Public safety:										
Police	8,243,876	8,816,765	9,189,523	8,928,822	8,660,082	8,672,144	8,384,167	7,677,020	6,763,995	6,145,710
Fire	7,581,436	8,055,281	8,365,447	8,137,924	7,956,413	7,409,271	6,248,333	5,157,456	4,399,921	3,447,738
Highways and streets	1,517,290	1,807,075	1,540,682	1,673,430	1,785,964	1,916,911	1,402,244	1,836,298	1,413,161	1,508,199
Recreation	3,952,785	3,858,186	4,002,391	3,857,577	3,895,507	3,920,973	3,547,469	3,500,179	3,486,899	2,974,770
Community development	1,316,737	1,238,062	1,269,548	1,260,465	1,219,667	1,267,118	1,249,006	1,279,540	1,105,349	1,049,620
Stormwater	780,823	778,633	551,954	562,305	484,945	519,628	469,609	-	-	-
Debt service										
Principal	4,924,591	1,722,674	824,751	804,609	907,356	872,992	840,516	809,929	720,506	747,178
Interest	(1,690,821)	752,761	1,631,730	1,630,980	1,224,646	755,074	774,448	470,374	243,825	117,938
Capital outlay	2,509,919	2,308,049	3,188,797	961,581	1,912,646	7,315,141	10,559,082	10,256,413	3,362,990	6,006,736
Total expenditures	<u>35,363,848</u>	<u>35,772,587</u>	<u>37,464,470</u>	<u>35,708,778</u>	<u>34,681,949</u>	<u>39,286,583</u>	<u>39,543,239</u>	<u>37,308,363</u>	<u>26,430,689</u>	<u>26,716,045</u>
Excess of revenues over (under) expenditures	<u>3,938,734</u>	<u>1,296,208</u>	<u>(1,736,688)</u>	<u>(1,483,302)</u>	<u>(1,026,802)</u>	<u>(4,083,167)</u>	<u>(7,756,630)</u>	<u>(6,751,694)</u>	<u>(423,508)</u>	<u>(699,491)</u>
Other Financing Sources & Uses:										
Bond, notes and leases	3,000,000	611,019	649,109	257,086	3,050,000	5,346,967	-	9,500,000	5,041,823	1,339,786
Bond refundings	(2,970,000)	-	-	-	-	-	-	-	-	-
Transfers	715,547	708,257	703,312	639,859	610,127	580,026	573,944	548,335	425,354	512,850
Other	3,343	19,849	57,388	153,986	23,375	-	-	-	-	-
Total other financing sources (uses)	<u>748,890</u>	<u>1,339,125</u>	<u>1,409,809</u>	<u>1,050,931</u>	<u>3,683,502</u>	<u>5,926,993</u>	<u>573,944</u>	<u>10,048,335</u>	<u>5,467,177</u>	<u>1,852,636</u>
Net Change in Fund Balance	<u>\$4,687,624</u>	<u>2,635,333</u>	<u>(326,879)</u>	<u>(432,371)</u>	<u>2,656,700</u>	<u>1,843,826</u>	<u>(7,182,686)</u>	<u>3,296,641</u>	<u>5,043,669</u>	<u>1,153,145</u>
Debt Service as percentage of noncapital Expenditures	<u>9.8%</u>	<u>7.4%</u>	<u>7.2%</u>	<u>7.0%</u>	<u>6.5%</u>	<u>5.1%</u>	<u>5.6%</u>	<u>4.7%</u>	<u>4.2%</u>	<u>4.2%</u>

TOWN OF SMYRNA, TENNESSEE

**Revenue Capacity Information
Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Years**

Schedule 5

Fiscal Year	Appraised Value					Assessed Value	Total Direct Tax Rate*
	Public Utilities	Commercial & Industrial	Personal Property	Residential, Farm & Agricultural	Total		
2005	\$35,272,427	495,829,170	216,748,190	1,133,941,844	1,881,791,631	566,241,421	0.69
2006	32,385,067	526,775,900	334,222,346	1,203,956,800	2,097,340,113	627,007,536	0.69
2007	35,350,524	651,861,100	341,849,659	1,483,822,287	2,512,883,570	755,747,907	0.86
2008	38,059,682	707,858,931	339,647,711	1,601,156,550	2,686,722,874	804,659,573	0.86
2009	37,328,547	786,822,299	320,262,614	1,691,149,600	2,835,563,060	840,060,581	0.86
2010	38,041,473	867,018,800	347,930,463	1,740,775,920	2,993,766,656	891,549,651	0.86
2011	41,959,829	1,097,280,630	288,939,523	1,832,036,300	3,260,216,282	1,001,850,963	0.7595
2012	44,495,525	1,088,270,062	293,561,172	1,862,606,900	3,288,933,659	1,007,791,748	0.7595
2013	43,234,516	1,072,157,800	291,926,378	1,879,183,300	3,286,501,994	1,003,903,157	0.7595
2014	42,436,776	1,070,401,532	299,588,940	1,971,391,420	3,383,818,668	1,011,844,405	0.9095

Property is assessed as follows:

Industrial and Commercial:

Real 40%

Personal 30%

Public Utility 55%

Farm and Residential 25%

* Per \$100 of assessed valuation

Note - Property of the Town is reappraised frequently. For this reason appraised value is considered equal to actual value.

Property was reappraised in 2007 and 2011

TOWN OF SMYRNA, TENNESSEE

**Revenue Capacity Information
Direct and Overlapping Property Tax Rates, Last Ten Years**

Schedule 6

Fiscal Year	Overlapping Rates		Total
	Direct Rate Town*	County**	
2005	\$0.69	2.80	3.49
2006	0.69	2.80	3.49
2007	0.86	2.44	3.30
2008	0.86	2.44	3.30
2009	0.86	2.56	3.42
2010	0.86	2.735	3.595
2011	0.7595	2.465	3.225
2012	0.7595	2.465	3.225
2013	0.7595	2.570	3.330
2014	0.9095	2.565	3.475

* Source - County Tax Assessor

There are no components of the Town direct tax rate.

** Levied on County property within the Town

*** Per \$100 of Assessed Valuation

TOWN OF SMYRNA, TENNESSEE

**Revenue Capacity Information
Principal Property Taxpayers, Current Year and Nine Years Ago**

Schedule 7

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percent of Total Assessed Value	Taxable Assessed Value	Rank	Percent of Total Assessed Value
HCA Health Services	\$24,542,875	1	2.43%	\$18,329,036	3	3.24%
Nissan North America, Inc	22,548,182	2	2.23%	28,574,449	1	5.05%
CH Realty V/NIP LLC	20,547,960	3	2.03%	-	-	-
Southpark Nashville LLC	15,002,600	4	1.48%	21,577,920	2	3.81%
MAA BRIK	11,433,480	5	1.13%	-	-	-
Stoneridge Farms at Smyrna	11,200,000	6	1.11%	-	-	-
Vi Jon, Inc.	10,189,720	7	1.01%	-	-	-
Sam Ridley LLC	8,713,840	8	0.86%	-	-	-
Middle Tennessee Electric	8,669,805	9	0.86%	5,405,842	4	0.95%
LW Apartments LLC	5,954,495	10	0.59%	4,289,820	7	0.76%
Cumberland Swan	-	-	-	5,351,626	5	0.95%
BellSouth Telecommunications	-	-	-	4,565,571	6	0.81%
Premier Communications, LLC	-	-	-	4,182,920	8	0.74%
Swanson Development	-	-	-	4,164,280	9	0.74%
Lowes Home Center	-	-	-	3,823,080	10	0.68%
Totals	<u>\$138,802,957</u>		<u>13.72%</u>	<u>\$100,264,544</u>		<u>17.73%</u>
Total Assessed Value	<u>\$1,011,844,405</u>			<u>\$566,241,421</u>		

Source- Town tax rolls

TOWN OF SMYRNA, TENNESSEE

**Revenue Capacity Information
Property Tax Levies and Collections, Last Ten Fiscal Years**

Schedule 8

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections</u>	<u>Total Collected as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Levy</u>
2005	\$3,908,439	3,821,158	97.767%	81,098	3,902,256	99.842%	6,183	0.158%
2006	4,326,352	4,236,758	97.929%	87,356	4,324,114	99.948%	2,238	0.052%
2007	6,499,432	6,275,145	96.549%	215,207	6,490,352	99.860%	9,080	0.140%
2008	6,944,753	6,757,556	97.304%	173,219	6,930,775	99.799%	13,978	0.201%
2009	7,224,521	7,001,251	96.910%	208,438	7,209,689	99.795%	14,832	0.205%
2010	7,709,645	7,405,700	96.058%	284,952	7,690,652	99.754%	18,993	0.246%
2011	7,639,156	7,341,727	96.107%	279,681	7,621,408	99.768%	17,748	0.232%
2011	7,639,156	7,341,727	96.107%	258,465	7,600,192	99.490%	38,964	0.510%
2013	7,658,530	7,408,799	96.739%	195,525	7,604,324	99.292%	54,206	0.708%
2014	9,202,940	9,031,791	98.140%	-	9,031,791	98.140%	171,149	1.860%
							<u>\$347,371</u>	

Taxes are assessed as of January 1 and due on October 1 each year.
Taxes become delinquent on February 28 of the following year.

TOWN OF SMYRNA, TENNESSEE

Debt Capacity Information

Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

Schedule 9

Fiscal Year	Population *		Governmental Activities		Business-type Activities		Total Primary Government	Percent of Personal Income	Debt Per Capita
			General Obligation Bonds & Notes	Obligations & Capital Leases	Water and Sewer Bonds	Water and Sewer Revolving Loan			
2005	33,123	**	\$4,985,187	\$40,572	\$26,928,813	-	\$31,954,572	4.84%	965
2006	33,123		9,305,253	-	24,700,747	-	34,006,000	5.15%	1,027
2007	33,123		17,995,324	-	22,414,676	-	40,410,000	6.12%	1,220
2008	38,073	**	17,054,808	-	20,009,192	-	37,064,000	4.88%	973
2009	38,073		21,428,783	-	22,010,216	-	43,438,999	5.72%	1,141
2010	38,073		23,153,677	-	37,167,323	1,229,597	61,550,597	8.11%	1,617
2011	39,974	**	21,776,630	-	52,229,036	3,721,532	77,727,198	8.01%	1,944
2012	39,974		20,739,991	51,043	49,003,603	3,689,912	73,484,549	7.58%	1,838
2013	41,705		19,671,270	582,847	46,710,806	3,534,881	70,499,804	6.96%	1,690
2014	42,813		17,763,839	21,392	43,377,539	3,375,330	64,538,100	6.47%	1,507

Notes:

Details of the Town's debt can be found in Note 6 in the current financial statements.

Personal income information is on Schedule 14.

* Based on Town Planning Department estimates except in years when census taken.

** Census

See schedule 14 for personal income information.

Bond obligations include bond premiums.

TOWN OF SMYRNA, TENNESSEE

**Debt Capacity Information
Ratios of General Obligation Debt Outstanding, Last Ten Fiscal Years**

Schedule 10

Fiscal Year	Population *	Estimated Actual Value	General Obligation Bonds	Obligations & Capital Leases	Total	Ratio of General Obligation Debt to Actual Value	Net General Obligation Debt Per Capita
2005	33,123	\$1,881,791,631	4,985,187	40,572	5,025,759	0.27%	152
2006	33,123	2,097,340,113	9,305,253	-	9,305,253	0.44%	281
2007	33,123	2,512,883,570	17,995,324	-	17,995,324	0.72%	543
2008	38,073 **	2,686,722,874	17,054,808	-	17,054,808	0.63%	448
2009	38,073	2,835,563,060	21,428,783	-	21,428,783	0.76%	563
2010	38,073	2,973,349,579	23,153,677	-	23,153,677	0.78%	608
2011	39,974 **	3,265,422,111	21,776,630	31,086	21,807,716	0.67%	546
2012	39,974	3,304,790,464	20,739,991	51,043	20,791,034	0.63%	520
2013	41,705	4,095,442,300	19,671,270	582,847	20,254,117	0.49%	486
2014	42,813	3,383,818,668	17,763,839	21,392	17,785,231	0.53%	415

Note:

The above general obligation debt includes capital outlay notes since they are required to be paid from the tax base of the Town.

* Based on Town Planning Department estimates except in years when census taken.

** Census

The General Obligation Bonds do not include a portion of the 2008 issue to be paid from Water and Sewer operations and included in business-type activity long-term debt.

TOWN OF SMYRNA, TENNESSEE

**Debt Capacity Information
Direct and Overlapping Governmental Activities Debt**

Schedule 11

<u>Jurisdiction</u>	General Obligation Debt Outstanding	Percentage Applicable to Town*	Amount Applicable to Town*
Town of Smyrna	\$17,785,231	100.00%	\$17,785,231
Rutherford County	322,323,706	16.46% *	53,067,504
Total	\$340,108,937		\$70,852,735

* Based upon Assessed Value of Property in:

County	\$6,145,784,457
Town	1,011,844,405

The percentage of overlapping debt applicable to the Town is estimated using the above assessed property tax values. Applicable percentages were estimated by determining the portion of the county's assessed value that is within the Town's boundaries and dividing it by the county's total assessed value.

TOWN OF SMYRNA, TENNESSEE

**Debt Capacity Information
Debt Margin Information, Last Ten Fiscal Years**

Schedule 12

Fiscal Year	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assessed Value	\$1,011,844,405	1,004,122,761	1,010,912,179	1,005,813,825	896,470,349	840,060,581	804,659,573	755,747,907	627,007,536	566,241,421
General Obligation Debt	\$17,785,231	20,254,117	20,791,034	21,807,716	23,153,677	21,428,783	17,054,808	17,995,324	9,305,253	5,025,759
Debt as % of Assessed Value	1.76%	2.02%	2.06%	2.17%	2.58%	2.55%	2.12%	2.38%	1.48%	0.89%

Note - The Town has no legal debt limit.

TOWN OF SMYRNA, TENNESSEE

**Debt Capacity Information
Pledged - Revenue Coverage, Last Ten Years**

**Schedule 13
Water and Sewer Enterprise Fund**

Year	Gross Revenues*	Direct** Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	\$8,209,877	5,472,468	2,737,409	1,727,172	554,788	2,281,960	1.20
2006	10,193,575	6,074,635	4,118,940	2,228,066	736,367	2,964,433	1.39
2007	11,483,155	6,793,170	4,689,985	2,286,071	915,263	3,201,334	1.47
2008	11,003,668	7,736,556	3,267,112	2,405,484	973,227	3,378,711	0.97
2009	11,596,452	9,052,996	2,543,456	2,492,008	778,956 ***	3,270,964	0.78
2010	12,004,608	8,585,008	3,419,600	2,812,894	664,523 ***	3,477,417	0.98
2011	13,125,398	9,104,140	4,021,258	2,938,287	1,234,930 ****	4,173,217	0.96
2012	14,263,815	8,848,065	5,415,750	3,329,948	1,925,107 ****	5,255,055	1.03
2013	15,753,215	7,827,113	7,926,102	3,506,407	1,685,519 ****	5,191,926	1.53
2014	15,944,968	8,227,176	7,717,792	3,274,765	1,601,372	4,876,137	1.58

* Includes nonoperating revenues

** Net of depreciation and amortization

*** Does not include refunding amounts of \$8,350,000 for 2009 and \$1,470,000 for 2014.

**** Includes capitalized interest

TOWN OF SMYRNA, TENNESSEE

**Demographic and Economic Information
Demographic and Economic Statistics, Last Ten Years**

Schedule 14

Year	Population	Personal Income	Per Capita Income	Median Age*	School Enrollment**	Unemployment Rate***
2005	33,123 *	\$660,406,374	19,938 ***	31.7	8,512	4.0%
2006	33,123	660,406,374	19,938 ***	31.7	10,084	3.3%
2007	33,123	660,406,374	19,938 ***	31.7	10,305	3.3%
2008	38,073 *	759,099,474	19,938 ***	31.7	10,606	6.4%
2009	38,073	759,099,474	19,938 ***	31.7	10,415	11.1%
2010	38,073	759,099,474	19,938 ***	31.7	10,512	9.7%
2011	39,974 *	969,889,162	24,263 ***	33.0	9,921	9.2%
2012	39,974	969,889,162	24,263 ***	32.5	10,781	7.4%
2013	41,705	1,012,305,465	24,273 ***	32.8	13,326	6.9%
2014	42,813	997,071,957	23,289 ***	33.2	13,895	4.4%

* Census

** Rutherford County Board of Education

*** Rutherford County Chamber of Commerce and Town, County and State Planning Offices.

Personal income is a calculation of per capita income and population.

TOWN OF SMYRNA, TENNESSEE

**Demographic and Economic Information
Principal Employers, Current Year and Nine Years Ago**

Schedule 15

Employer	2014			2005		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Nissan North America	7,500	1	57.67%	7,000	1	59.47%
Asurion	1,250	2	9.61%	1,200	2	10.20%
Taylor Farms Tennessee	1,000	3	7.69%	350	8	2.97%
Square D/Schneider Electric	900	4	6.92%	375	7	3.19%
Vi-Jon (Cumberland Swan)	738	5	5.67%	850	3	7.22%
VA Midsouth CPAC	456	6	3.51%	-	-	-
StoneCrest Medical Center	320	7	2.46%	475	5	4.04%
Franke Foodservice Systems	300	8	2.31%	-	-	-
Federal Mogul	292	9	2.25%	-	-	-
WWL Vehicle Service Americas	250	10	1.92%	400	6	3.40%
Federal Mogul	-	-	-	-	-	-
MI Windows and Doors	-	-	-	550	4	4.67%
Tridon	-	-	-	350	9	2.97%
Estes Express	-	-	-	220	10	1.87%
	13,006		100.00%	11,770		100.00%

Source: Rutherford County Chamber of Commerce

Percentage reflects the percentage of each employer to the top ten employers for that year.

Total Town employment is not available.

TOWN OF SMYRNA, TENNESSEE

**Operating Information
Full-time Equivalent Town Government Employees by Function, Last Ten Fiscal Years**

Schedule 16

Function	Full-time Equivalent Employees as of June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government:										
Administration	6	6	6	7	7	6	7	5	5	5
Finance	14.6	13.6	13.6	12.6	16.4	17.4	17.4	14.6	14.6	14.6
Personnel	3	3	3	3	3	3	3	3	3	2
Planning and Codes	8	8	8	11	11.8	11.8	11.8	11	10	11
IT Services	5	5	3.8	4.8	4.8	4.8	4.8	3.8	3.8	3.8
Courts	13.6	14.6	13.8	16.4	17.2	16.4	13.4	14.2	13.8	13.6
Building and Grounds	6	6	6	10	11	12.8	13.6	12.8	13.6	14.6
Legislative	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Public Safety:										
Police										
Officers	78	66	76	80	80	81	79	74	70	68
Civilians	21.8	20.8	20.8	25.8	26.6	27.8	25.6	26.8	24.8	24.8
Fire										
Firefighters	82	84	94	97	98	91	81	70	60	58
Civilians	2	2	2	2	2	2	2	2	2	2
Highways and streets	13.6	12.8	16.6	17.6	18.6	19.6	18.6	21.8	20.8	20.5
Stormwater	8	8	5	5	5	4	4	N/A	N/A	N/A
Recreation										
Parks	39.6	38.3	37.2	40.7	41.2	40.5	39	36.1	35.5	28.9
Golf Course	17.7	17.6	16.8	20.4	18.1	22.2	22.2	20.9	22.5	16.5
Community Development	9.6	10.4	11.2	12.2	12.2	13.0	12.8	10.2	11.2	9.4
Water and Sewer	42	40	43	61	63	62	60	49	47	46
Natural Gas	18	17.8	18	21	21	21	19	18	16	16
Totals	394.1	379.5	400.4	453.1	462.5	461.9	439.8	398.8	379.2	360.3

Source: Town Departments
N/A - Not Applicable

TOWN OF SMYRNA, TENNESSEE

**Operating Information
Operating Indicators by Function/Program, Last Ten Fiscal Years**

Schedule 17

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities:										
General Government:										
Court										
Warrants/summons issued	5,277	4,492	3,470	4,159	4,240	5,128	4,766	4,595	3,169	2,187
Warrants served	4,746	4,396	2,635	1,651	1,315	1,346	1,207	1,827	1,260	868
Misdemeanor citations	602	539	486	690	750	790	680	750	444	263
General sessions cases	4,806	12,095	12,532	12,826	13,263	15,328	13,036	12,305	8,489	8,068
Traffic court cases	7,809	10,652	10,978	10,870	11,661	11,750	10,548	7,703	8,777	6,525
Planning and Codes										
Building permits issued	837	747	733	726	894	1,000	1,015	1,230	1,074	1,079
Site plans reviewed	22	20	23	26	45	60	61	55	48	62
Zoning/annexation requests	10	23	11	11	35	35	49	41	41	59
Administration										
Population served per employee	104	110	104	97	96	97	88	94	84	80
Finance										
Checks processed	5,442	5,075	4,457	6,694	8,037	8,000	7,804	8,140	8,210	8,204
Amount purchased on competitive bid (millions)	\$3.93	\$3.67	\$3.58	\$3.80	\$5.10	\$3.00	\$2.80	\$4.00	\$2.60	\$3.40
Treasury										
Total number of utility payments	169,424	163,063	160,429	137,119	159,547	158,007	155,905	146,500	146,000	145,000
Total number of other payments	18,247	18,908	10,489	10,407	11,514	12,709	12,777	13,500	11,920	11,800
Human Resources										
Personnel turnover rate	17.00%	18.90%	26.70%	12.00%	11.00%	11.00%	15.00%	14.00%	7.00%	3.80%
New hires	75	43	48	63	98	120	113	100	89	90
Vehicle Maintenance										
Number of vehicles maintained	218	203	230	214	219	218	218	200	192	171
Pieces of equipment maintained	112	109	109	125	125	127	125	114	97	102
Public Safety:										
Police										
Average response in minutes	7:31	7:18	6:57	7:13	6:50	6:47	7:03	6:23	6:25	6:29
Police calls per 1,000 population	618	3,090	2,376	724	681	743	767	720	700	715
Fire										
Average response in minutes	7:21	6:09	5:32	5:45	5:54	5:44	5:23	5:23	5:15	5:18
Dispatch calls for service	1,905	1,647	1,808	1,869	1,810	1,825	1,900	1,807	1,729	1,729
Culture and Recreation										
Parks and Recreation										
Number of park users	1,353,913	1,050,000	978,263	1,150,000	969,845	1,162,400	1,107,067	984,008	550,000	500,000
Number of league participants	7,000	7,500	7,569	7,200	7,624	7,700	7,590	7,220	6,597	6,354
Town Centre										
Number of functions	314	340	365	411	507	677	544	578	605	553
Golf Course										
Total rounds	29,979	30,817	30,346	31,583	29,237	31,580	39,000	36,224	37,584	39,146
Business-type Activities:										
Water Treatment Plant										
Gallons treated (millions)	2,936	2,905	2,598	3,398	3,120	3,124	3,302	3,259	3,210	2,820
Customers	13,579	13,855	13,641	13,344	13,323	13,249	13,219	12,777	10,144	9,713
Waste Water Treatment Plant										
Gallons treated (millions)	2,041	2,210	2,088	2,092	1,763	2,000	1,665	1,659	2,100	1,920
Customers	13,718	13,819	12,740	12,601	12,594	12,530	12,271	11,863	9,293	8,899
Natural Gas										
Customers	9,915	9,790	9,627	9,608	9,591	9,502	9,500	9,242	7,278	7,078

Sources: Town of Smyrna Departments

N/A : Statistic not available

The number of water and sewer customers decreased in 2014 due to the removal of duplicate accounts discovered during a change in billing software.

TOWN OF SMYRNA, TENNESSEE

Operating Information
Capital Assets Statistics by Function/Program, Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities:										
General Government:										
Planning and Codes										
Vehicles	5	5	5	6	8	7	8	9	8	7
Engineering										
Vehicles	-	-	-	-	-	-	1	1	1	1
Building and Grounds Maintenance										
Traffic signals	50	49	45	46	46	45	43	39	39	39
Shop	1	1	1	1	1	1	1	1	1	1
Vehicles	8	8	8	12	12	12	14	12	14	14
Administration										
Town Hall	1	1	1	1	1	1	1	1	1	1
Vehicles	2	2	2	2	2	2	2	2	1	1
Information Services										
Vehicles	2	2	2	2	2	3	3	3	3	3
Stormwater										
Vehicles	2	2	2	2	3	3	1	-	-	-
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	78	77	81	81	89	83	86	87	78	77
Fire										
Stations	6	6	6	6	6	6	6	5	5	5
Vehicles	24	25	24	22	22	21	19	20	19	21
Highways and streets										
Streets (miles)	327	327	327	106.23	106.23	103.87	102.27	95.37	93.38	92.85
Salt storage bin	1	1	1	1	1	1	1	1	1	1
Shop	1	1	1	1	1	1	1	1	1	1
Vehicles	20	22	25	22	19	19	20	18	20	17
Cultural and Recreation										
Parks and Recreation										
Acres	822	821	815	815	788	788	788	788	708	662
Parks	12	12	12	12	12	12	12	12	11	10
Picnic areas (shelters)	19	17	17	17	17	17	17	17	17	16
Tennis courts	8	8	8	8	8	8	8	6	6	6
Racquetball courts	2	2	2	2	2	2	2	2	2	2
Practice areas	8	8	8	8	8	8	9	9	9	8
Soccer fields	10	10	10	10	10	10	10	10	10	10
Softball fields	6	6	6	6	6	6	6	6	6	6
Football fields	2	2	2	2	2	2	2	2	2	2
Baseball fields	5	5	5	5	5	5	5	5	5	5
Playgrounds	8	9	9	9	9	9	9	9	9	9
Shop	1	1	1	1	1	1	1	1	1	1
Pools	1	2	2	2	2	2	2	2	2	2
Splashpad	1	1	1	1	1	1	1	1	1	-
Workout facility	1	1	1	1	1	1	1	1	1	1
Trails and greenways (miles)	14	14	14	14	14	14	14	14	14	13
Discgolf course	1	1	1	1	1	1	1	1	1	1
Community center building	1	1	1	1	1	1	1	1	1	1
Assembly hall	1	1	1	1	1	1	1	1	1	1
Train Depot	1	-	-	-	-	-	-	-	-	-
Vehicles	14	15	15	14	14	12	17	14	11	11

continued on next page

TOWN OF SMYRNA, TENNESSEE

Operating Information
Capital Assets Statistics by Function/Program, Last Ten Fiscal Years

Schedule 18, continued

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Town Centre										
Banquet facility	1	1	1	1	1	1	1	1	1	1
Golf Course										
Acres	244	244	244	244	244	244	244	244	244	244
Clubhouse	1	1	1	1	1	1	1	1	1	1
Maintenance facility	1	1	1	1	1	1	1	1	1	1
Regulation course	1	1	1	1	1	1	1	1	1	1
Executive course	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	2	1	1	1	1	1
Business-type Activities:										
Water Treatment Plant										
Plant	1	1	1	1	1	1	1	1	1	1
Storage tanks	7	7	5	5	5	5	5	5	5	5
Hydrants	1,477	1,473	1,457	1,448	1,439	1,433	1,419	1,355	1,355	1,307
Shop	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Vehicles	16	16	10	21	21	20	20	17	15	12
Waste Water Treatment Plant										
Plant	1	1	1	1	1	1	1	1	1	1
Shop	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Vehicles	18	18	18	20	20	22	22	19	18	15
Natural Gas										
Miles of main	306.82	306	305	304	279	279	278	275	213	211
Shop	1	1	1	1	1	1	1	1	1	1
Vehicles	10	10	8	10	15	13	13	13	13	12

Sources: Town of Smyrna Departments

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WAS v4.2

[Back to Instructions](#)

Water Audit Report for: **Town of Smyrna**
 Reporting Year: **2014** **7/2013 - 6/2014**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	<input type="text" value="10"/>	<input type="text" value="2,986.300"/>	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	<input type="text" value="10"/>	<input type="text" value="0.000"/>	MG/Yr
Water imported:	<input type="text" value="9"/>	<input type="text" value="79.300"/>	MG/Yr
Water exported:	<input type="text" value="9"/>	<input type="text" value="194.800"/>	MG/Yr
WATER SUPPLIED:		<input type="text" value="2,870.800"/>	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="9"/>	<input type="text" value="2,233.200"/>	MG/Yr
Billed unmetered:	<input type="text" value="9"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled metered:	<input type="text" value="9"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled unmetered:	<input type="text" value="9"/>	<input type="text" value="35.885"/>	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: MG/Yr

Click here:
for help using option buttons below

Pcnt: Value:

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption) MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	<input type="text" value="9"/>	<input type="text" value="82.622"/>	MG/Yr
Systematic data handling errors:	<input type="text" value="9"/>	<input type="text" value="14.100"/>	MG/Yr

Apparent Losses:

Pcnt: Value:

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/Yr

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="text" value="9"/>	<input type="text" value="240.0"/>	miles
Number of active AND inactive service connections:	<input type="text" value="9"/>	<input type="text" value="13,962"/>	
Connection density:		<input type="text" value="58"/>	conn./mile main
Average length of customer service line:	<input type="text" value="10"/>	<input type="text" value="30.0"/>	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	<input type="text" value="9"/>	<input type="text" value="65.0"/>	psi

COST DATA

Total annual cost of operating water system:	<input type="text" value="10"/>	<input type="text" value="\$8,683,293"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="9"/>	<input type="text" value="\$3.02"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="9"/>	<input type="text" value="\$2,328.37"/>	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="22.2%"/>
Non-revenue water as percent by cost of operating system:	<input type="text" value="17.9%"/>
Annual cost of Apparent Losses:	<input type="text" value="\$313,775"/>
Annual cost of Real Losses:	<input type="text" value="\$1,159,100"/>

Operational Efficiency Indicators

Apparent Losses per service connection per day:	<input type="text" value="20.39"/>	gallons/connection/day
Real Losses per service connection per day*:	<input type="text" value="97.69"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
Real Losses per service connection per day per psi pressure:	<input type="text" value="1.50"/>	gallons/connection/day/psi
<input type="text" value="9"/> Unavoidable Annual Real Losses (UARL):	<input type="text" value="94.61"/>	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="497.82"/>	million gallons/year
<input type="text" value="9"/> Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="5.26"/>	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 91 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Unauthorized consumption

2: Water imported

3: Water exported

[For more information, click here to see the Grading Matrix worksheet](#)

OTHER REPORTS

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

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

Honorable Mayor and Town Council
Town of Smyrna
Smyrna, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the 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 Town of Smyrna, Tennessee's, (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered, the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain other matters that were reported to management in a separate letter dated October 17, 2014.

Honorable Mayor and Town Council
Town of Smyrna
Smyrna, Tennessee

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeany Howell & Associates

October 17, 2014

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and Town Council
Town of Smyrna
Smyrna, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the Town of Smyrna, Tennessee's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Smyrna, Tennessee's major federal programs for the year ended June 30, 2014. The Town of Smyrna, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Smyrna, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Smyrna, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination of the Town of Smyrna, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Smyrna, Tennessee, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Town of Smyrna, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing for our audit of compliance, we considered Town of Smyrna's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Town of Smyrna's internal control over compliance.

Honorable Mayor and Town Council
Town of Smyrna
Smyrna, Tennessee

Report on Internal Control Over Compliance, Continued

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected, or corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Yeany Howell & Associates

October 17, 2014

TOWN OF SMYRNA, TENNESSEE

Schedule of Findings and Questioned Costs

June 30, 2014

I. Summary of Auditor's Results

- A. The June 30, 2014 Auditor's Report on the Financial Statements was an unqualified opinion.
- B. No significant deficiency in the internal control was disclosed during the audit of the financial statements.
- C. The audit did not disclose any noncompliance which is material to the financial statements.
- D. No significant deficiency in internal control over major programs were disclosed by the audit.
- E. The June 30, 2014 report on compliance for major programs was an unqualified opinion.
- F. The audit did not disclose any audit finding which is required to be reported under §.510a.
- G. Major Programs – Emergency Relief, Greenways, and Transportation Enhancement Programs CFDA#20.205.
- H. Type A programs have been distinguished as those programs with expenditures greater than \$300,000.
- I. The Town of Smyrna was not considered to be a low risk auditee.

II. Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Current Year

None.

III. Federal Findings and Questioned Costs

Current Year

None.