

INTRODUCTORY SECTION

Town Council

H. G. Cole
Tony Dover
Paul Johns
Lance Lee
Mary Esther Reed
James Yates



Mayor
Bobby G. Spivey

Town Manager
Mark O'Neal

Finance Department
Mark Tucker, Director

November 14, 2008

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, 2008 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. 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 a population of 38,073.

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, 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 28.

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 46 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 with approximately 4,600 employees.

The Town continues to see strong commercial growth within its boundaries. This growth provides jobs and sales tax revenue, which has allowed the Town to achieve a more balanced tax structure and become less dependent on the property tax to fund municipal services. At the end of the fiscal year, the local option sales tax revenue was 23.3% more than the previous year. The Town expects this sales tax growth to continue due to new commercial development, but conservatively budgeted a 3.35% growth over estimated 2008 revenue for fiscal year 2009. Current collections are at a level of 21.58% over fiscal year 2008.

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 3.84%, while the national rate for the same time period has averaged about 5.04%. Although the local rate is currently 0.3% higher than the national rate, unemployment is expected to either remain stable or decrease in the near future due to the fact that a national department store, a national discount store and five national chain hotels are due to open in 2009. There are also several nationally franchised restaurants due to open in late 2008 and 2009.

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, as well as investing idle cash.

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 50% of operating expenditures. This policy is in place to provide a contingency plan for times of economic downturn or one-time use for capital expansion.

Major Initiatives

During the 2008 fiscal year, the Town was rated as one of the ten best places to retire by *U.S. News & World Report*. With our great park system, two golf courses, greenways, our forward looking approach to infrastructure improvements, and our recruitment of commercial business, we think our Town will continue to hold that distinction.

During the 2008 fiscal year, the Town Manager, along with the appointed officials, developed the Employees' Guiding Principles. These principles were developed to show the public and to demonstrate to the employee population that management has a philosophy that all things that are done are with the citizens in mind, we demonstrate customer service, we mentor our fellow workers, we be innovative in the things we do, we treat fellow workers with respect and that we are always mindful of being fiscally responsible.

During the 2008 fiscal year, the Town sent the previously funded tier 2, interchange justification study to the Federal Highway Administration (FHA). The FHA will evaluate the study to determine the possibility of constructing another interchange off of Interstate 24 within the Town's corporate boundaries. Providing this possible additional interchange would provide additional opportunities for commercial growth while providing an additional means of accessing Interstate 24 for our citizens.

Awards and Acknowledgements

The Government Finance Officers Association (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, 2007. The Certificate of Achievement is a prestigious national award that recognizes our publication of an easily readable and efficiently organized CAFR, whose content conforms to program standards. Those standards require the CAFR satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town of Smyrna has received a Certificate of Achievement for the last twenty consecutive years (fiscal years ended 1988-2007). 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.

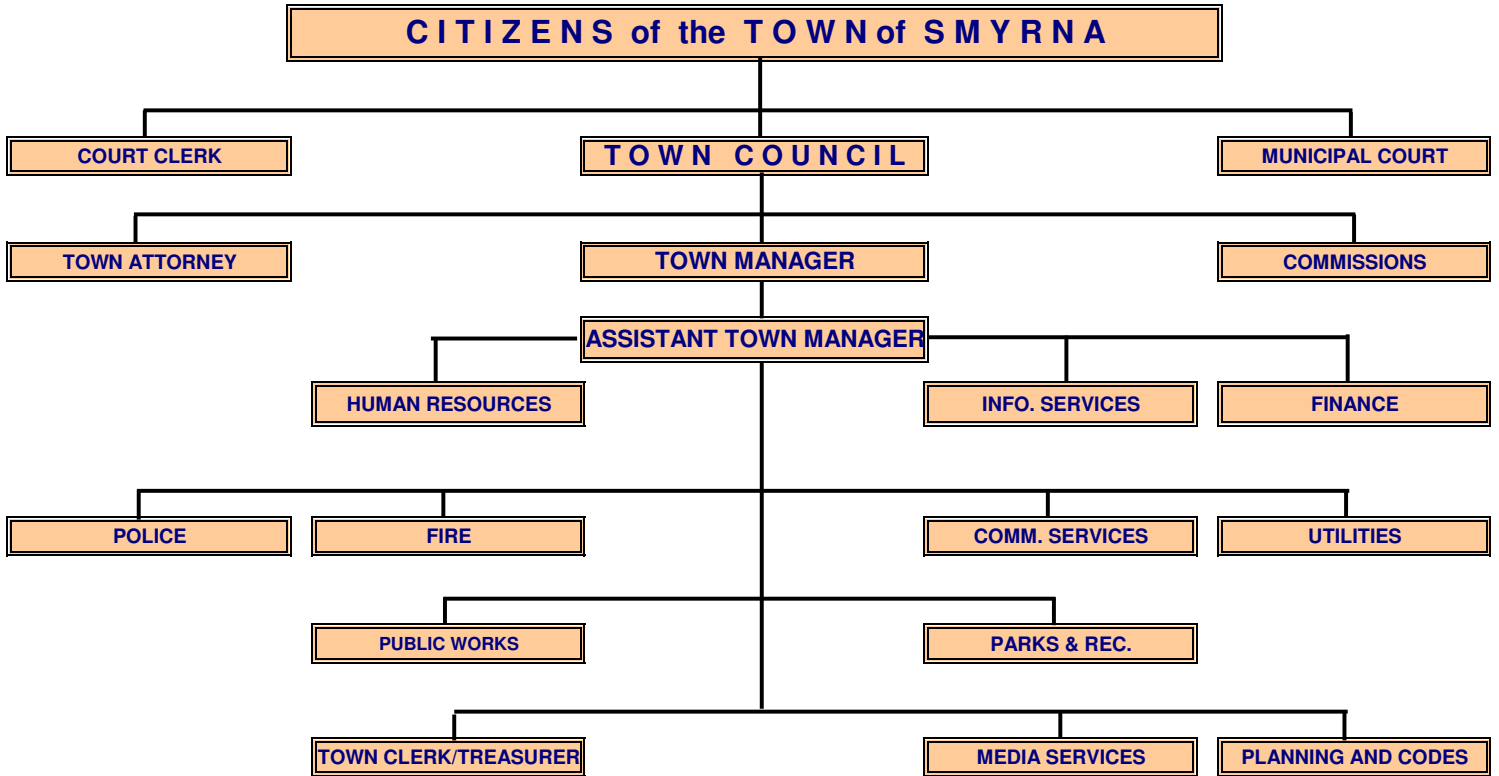
The preparation of this report would not have been possible without the efforts of the members of the Finance Department office staff and the cooperation of each of the Town's departments. Specific appreciation is expressed to Town Finance Manager Rex Gaither and Town Financial Analysts, Ed Hamblin and Brenda Yeatts, on their preparation and thoroughness throughout the audit process. Credit also must be given to the Mayor and Town Council and Town Manager Mark O'Neal for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Smyrna's finances.

Respectfully submitted,



Mark A. Tucker
Finance Director/Asst. Town Manager

ORGANIZATIONAL CHART



TOWN OF SMYRNA, TENNESSEE

Town Officials

ELECTED OFFICIALS:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bob Spivey	Mayor	December 2010
Tony Dover	Vice Mayor, Councilman	December 2010
H. G. Cole	Councilman	December 2010
James Yates	Councilman	December 2008
Paul Johns	Councilman	December 2008
Lance Lee	Councilman	December 2010
Mary Esther Reed	Councilwoman	December 2008

APPOINTED OFFICIALS:

		<u>Date of Appointment</u>
Mark O'Neal	Town Manager	September 2002
Jack Reinhard	Director of Utilities	September 2007
Mark A. Tucker	Director of Finance/Asst. Town Manager	September 1999
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