

TOWN OF SMYRNA  
Smyrna, Delaware  
Kent County

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Year Ended December 31, 2009

Prepared by:

Gary F. Stulir, Manager Accounting & Business Services

Business Office Staff

## INTRODUCTORY SECTION

TOWN OF SMYRNA

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May 11, 2010

The Honorable Mayor, Members of Council  
And Citizens of the Town of Smyrna  
Smyrna, Delaware 19977

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") for the Town of Smyrna. This report is for the fiscal year ended December 31, 2009. This report is published to comply with the provisions of Section 8.4 of the Town Code. The Comprehensive Annual Financial Report is a report that tells the financial story of the Town through narrative, financial statements and charts/graphs. The CAFR not only gives the summary and detailed information for the year being reported but also includes information for the previous ten years.

The preparation of a CAFR takes the financial reporting of the Town of Smyrna to the highest level. Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. We believe the data as presented is accurate in all material respects. It is presented in a manner designed to fairly present the financial position and results of operations of the Town as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a clear understanding of the Town's financial affairs have been included.

The financial statements in this report have been audited by Barbacane, Thornton and Company, an independent firm of certified public accountants as required by Section 8.4 of the Town Code. Barbacane, Thornton and Company has provided an unqualified opinion on the Town's financial statements for the year ended December 31, 2009. The independent auditors' report is located at the front 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. The MD&A complements this letter of transmittal and should be read in conjunction with it. Our MD&A can be found immediately following the report of our independent auditors.

The organization, form, contents of this CAFR, the accompanying financial statements and the statistical tables were prepared in accordance with the standards established by the Governmental Accounting Standards Board ("GASB"), the Government Finance Officers Association ("GFOA") and the American Institute of Certified Public Accountants ("AICPA").

# To The Honorable Mayor, Members of Council and Citizens of the Town of Smyrna

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## Profile of the Town

This CAFR includes all funds of the Town, consistent with the guidance contained in GASB 14, *The Financial Reporting Entity*, and GASB 39, *Determining Whether Certain Organizations Are Component Units*. The criteria used by the Town to evaluate whether additional entities should be included in the Town's reporting entity as component units includes whether the Town can impose its will on these entities and whether these entities bring the Town financial benefit or burden.

The Town of Smyrna was incorporated in 1817, under the provisions of the State of Delaware. The Town's strategic location in the northeast, in addition to its location 12 miles north of the State Capital of Dover, and 30 miles south of the major business center of Newark and Wilmington, makes it a competitive location for business. Smyrna's historic small town atmosphere and its great pride in its quality of life and educational system make it highly desirable for families and homeowners. Smyrna was recently ranked 31 in the nation and number one in the state among towns ranging between 5,000 and 15,000 people. The Town currently occupies a land area of 7.268 square kilometers and serves a population of approximately 11,040.

The Town's governing body is composed of a Mayor and six Council members. Three Council members are elected from designated districts and serve staggered, three-year terms. Three members of Council and the Mayor are elected at-large. The Mayor serves a two-year term, the other three of the at-large elected members serve three-year terms. The Council is responsible for all matters of policy and is the authority for levying taxes, securing revenues, authorizing expenditures of Town funds and incurring Town debts. The Town of Smyrna operates under a Council - Manager form of government.

The Town provides a full range of services as mandated by the Town code or adopted by Town Council. They include police protection, streets and sanitation maintenance, recreation, library, public improvements, planning and zoning, safety inspections, electric power generation and distribution, water and wastewater services, legislative services and general administration.

Within the Town is a volunteer fire company that is autonomous. Under established criteria, operations of the Citizens' Hose Company No. 1 Inc. are not a part of this report. The Citizens' Hose responds to over 400 alarms and accidents every year and is capable of handling most fire and rescue needs. The Town provides funding to the Citizens' Hose for assistance with operating supplies. These payments are part of the General Fund operating budget.

The Smyrna School District does not meet the established criteria for inclusion in the reporting entity and, accordingly, is excluded from this report.

The Town Council shall, on or before the second regular Town Council meeting in December in each year, adopt a budget for the succeeding fiscal year. This annual budget serves as the foundation for the Town of Smyrna's financial planning and control. The budget is prepared by fund and department.

## Town Facilities and Departments

The Town's main administration building located at 27 South Market Street Plaza houses the Town Manager's Office, Business Office, Planning and Inspection Office and Council Chambers. The Town Manager is responsible for implementing policies enacted by the Mayor and Council by providing day-to-day administration and operations management of the Town Staff. The Business Office handles

## To The Honorable Mayor, Members of Council and Citizens of the Town of Smyrna

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utility and tax billing, computer systems management, accounting and financial management services and voter operations. The Planning and Inspection Office handles building permits, subdivision and site plan approvals, and rental and building construction inspections.

The Police Department is located at 325 West Glenwood Avenue with a contingent of 23 sworn officers and seven civilian employees as well as 24-hour emergency police dispatching. In order to deal with specialized law enforcement situations, the Department has several highly trained units such as K-9 unit, School Resource Officer, DARE Officer, Special Investigation Unit, Tactical Team, Motorcycle Patrol Unit and Bicycle Patrol Unit.

The Public Works Department located at 220 Artisan Drive (recently relocated from 307 West Glenwood Avenue) handles electric service, trash service, streets and parks maintenance, and water and sewer service. Trash is contracted with a private company but billing is handled through the Town.

The Smyrna Public Library is located at 107 South Main Street and open to the public.

### Local Economy

Major employers located within the Town's boundaries include Wal-Mart Distribution Center, Delaware Home and Hospital for the Chronically Ill and the Smyrna School District.

The current unemployment rate within Kent County is 8.2 percent, an increase over last year's rate of 5.8 percent. The increase is consistent with national and regional trends in today's struggling economy. Kent County's unemployment rate compared slightly favorably to the state's unemployment rate of nine percent. The Town's population growth has climbed steadily and is expected to increase. The Town's current estimated population is 11,040, an increase from the 2000 census which placed the Town's population at 5,679. This is also an increase from the estimated population at December 2008 of 10,435. A significant portion of this growth is attributed to workers and retirees relocating to Smyrna from other states seeking lower taxes and housing costs, as well as an attractive quality of life.

While new construction continued during the fiscal year, construction fees received declined by approximately 22 percent from the prior year. This decline is a reflection of the economic slowdown within the last year. Nevertheless, the Town issued 582 building permits with a construction value of \$25.1 million, including 84 apartments, 47 single family dwelling and 72 townhouses. During 2009 the Town recorded 45 new or expanded businesses including five medical and related services, two fitness centers, a wide variety of professional and general offices, retail stores offering products from pet supplies to jewelry to candy, two nursery/daycares and a number of auto sales and services.

### Major Initiatives

The Town continues to move forward with the Downtown streetscape project which involves installing new brick sidewalks and new lamp posts and the placement of utilities underground. In addition, Phase I of the Town's "four corners" project was completed in 2009 which involved significant upgrades to the electric, street, water and sewer infrastructure.

The Town also finalized construction on its new municipal complex which now houses its public works, electric, fleet maintenance and warehousing functions, replacing obsolete and unsafe facilities and freeing the site for future expansion of the Police Department.

## To The Honorable Mayor, Members of Council and Citizens of the Town of Smyrna

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In 2009 Town Council authorized the borrowing of up to \$5,975,000 from the Delaware Water Pollution Control Revolving Fund to finance a number of municipal projects to improve, upgrade and expand the Town of Smyrna wastewater system. These projects include replacement of old sewer mains and upgrades of a number of lift stations, along with plans for sewer extensions in support of future economic development opportunities and residential growth.

In addition, Town Council authorized the borrowing of up to \$3,768,000 from the Delaware Drinking Water State Revolving Fund available under the American Recovery and Reinvestment Act ("ARRA") to construct a number of projects to improve and upgrade the Town of Smyrna's water distribution system. These projects address obsolete water main and treatment facilities essential for the provision of high quality water services. The Town was one of only six municipalities in Delaware to receive ARRA funding and was the first to both be awarded and to complete a water project under the stimulus program.

The Town is a recipient of an Energy Efficiency and Conservation Block Grant which is being used to replace inefficient street lighting with new induction and LED technology, reducing its energy consumption and contributing to a healthier environment.

The Town initiated planning, completed a needs assessment and fostered the organization of a citizens-based Library Guild to begin the process of obtaining a new, regional library. Additionally, the Town is working in collaboration with another citizens-based "Friends" group to preserve and promote the historically significant Belmont Hall building and site.

Through its Business Development Committee and with professional services, the Town is actively implementing business retention and recruitment plans to enhance Smyrna's economy and viability.

### Accounting System and Budgetary Control

All governmental funds utilize the modified accrual basis of accounting with revenue being recorded when susceptible to accrual, identified as both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on general long-term debt which is recognized when due. Financial statements for the Proprietary Fund are maintained on the accrual basis of accounting, with revenue recognized when earned and expenses recorded when incurred.

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements; and (3) maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost and benefits require estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that the Town's internal accounting controls: (1) adequately safeguard assets; (2) provide reasonable assurance of proper recording of financial transactions; and (3) maintain accountability for assets.

The Town budgets and expends funds following the Town Code. The Town's annually required budget is the approved spending plan for the fiscal year and is revised as necessary, in compliance with the requirements of the Town Code. Legal budgetary control is maintained at the department level under the direction of the Town Manager.

To The Honorable Mayor, Members of Council and Citizens of the Town of  
Smyrna

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Cash Management Policies and Practices

Cash temporarily idle during the year was invested in obligations of the U.S. Treasury and obligations of U.S. instrumentalities. Investment income includes appreciation/depreciation in the fair value of investments. Increases in fair value during the year do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments, that the government intends to hold to maturity.

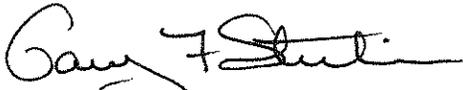
Risk Management

The Town purchases commercial insurance for areas of potential losses. Additional information on the Town's risk management activities can be found in the notes to the financial statements. In an effort to proactively work on safety and security issues; the Town provides safety training to its employees every year.

The Town participates in the State of Delaware Consortium for medical benefits for the employees of the Town.

Acknowledgments

The completion of this CAFR represents the first time the Town has prepared such a report and demonstrates a commitment to continue excellence in financial reporting. The preparation of the CAFR was made possible by the dedicated service of the Business Office. They have our sincere appreciation for the contributions made in the preparation of this report, as well as all additional individuals who assisted in this effort. Appreciation also is expressed to the Town Manager and the Town Council for their cooperation and outstanding assistance in matters pertaining to the financial affairs of the Town.



Gary F. Stuff  
Manager Accounting & Business Services



David S. Hugg, III  
Town Manager

**TOWN OF SMYRNA**  
List of Elected and Appointed Officials  
December 31, 2009

**Elected Officials**

Patricia Stombaugh  
Memphis P. Evans  
William C. Raynor  
Valerie M. White  
Anthony H. DeFeo  
Robert L. Riddagh  
Lawrence O. Thornton

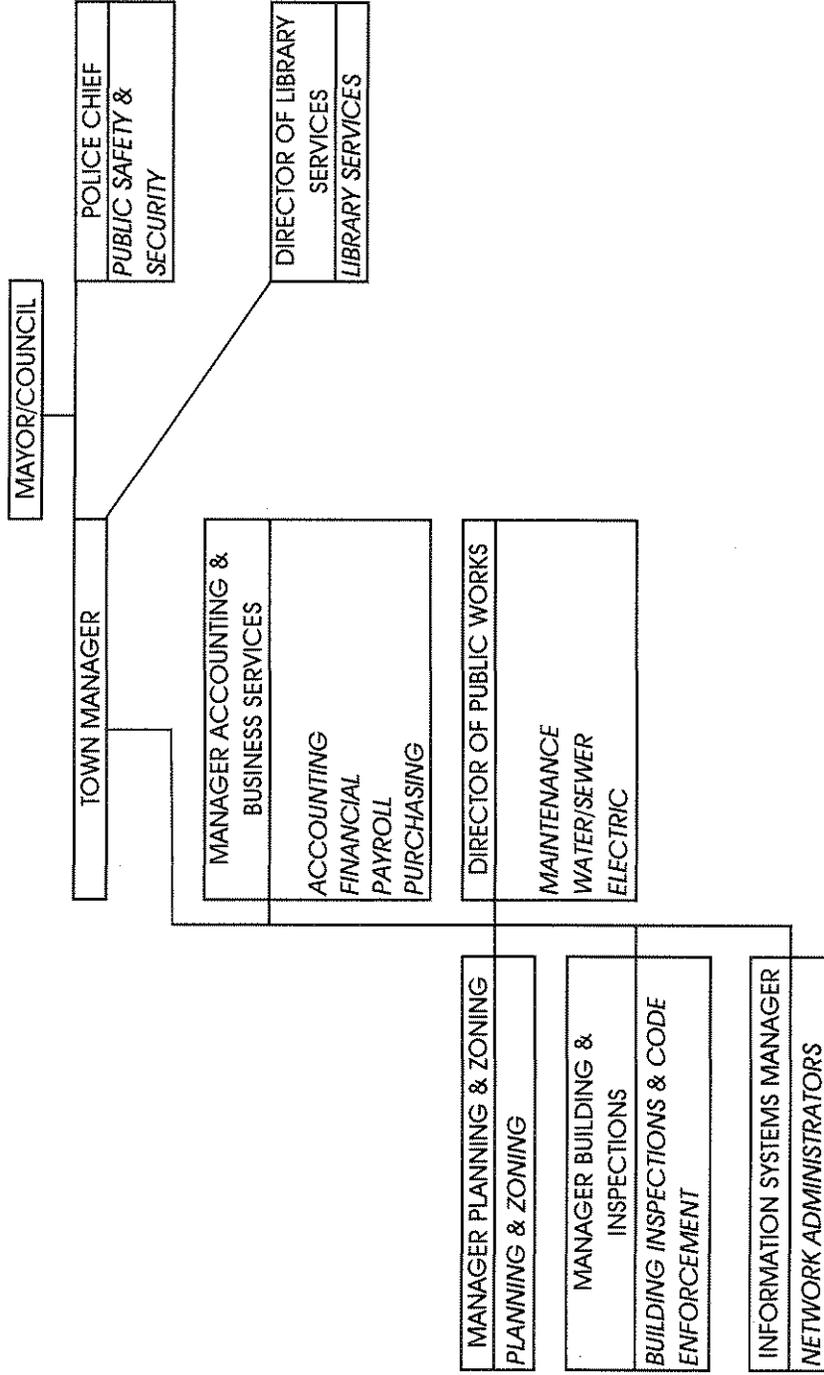
Mayor  
Council Member - District 1  
Council Member - District 2  
Council Member - District 3  
Council Member - At Large  
Council Member - At Large  
Council Member - At Large

**Appointed Officials**

David S. Hugg, III  
Richard H. Baldwin, Jr.  
John T. Jaywork

Town Manager  
Police Chief  
Attorney

TOWN OF SMYRNA ORGANIZATIONAL CHART



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## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

May 11, 2010

To the Honorable Mayor and Town Council  
Town of Smyrna  
Smyrna, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Smyrna, Smyrna, Delaware, as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Smyrna's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Town's 2008 financial statements and, in our report dated August 17, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Smyrna, Smyrna, Delaware, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2010, on our consideration of the Town of Smyrna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and Town Council  
Town of Smyrna

The Management's Discussion and Analysis on pages 13 - 22 and the schedule of funding progress - pension plans on pages 59-60 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smyrna, Delaware's basic financial statements. The introductory section, combining nonmajor governmental fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of federal expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations," and is also not a required part of the basic financial statements of the Town of Smyrna, Delaware. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

  
BARBACANE, THORNTON & COMPANY

**Town of Smyrna  
Management's Discussion and Analysis - Unaudited  
December 31, 2009**

The Honorable Mayor and Town Council are pleased to present to readers of the financial statements of the Town of Smyrna this narrative overview and analysis of the financial activities of the Town for the calendar year ended December 31, 2009. Readers are encouraged to consider the information presented herein in conjunction with additional information furnished in the financial statements and notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- In the governmental activities, general revenues and transfers accounted for 54 percent of total revenues and program revenues 46 percent of total revenues (prior year, 62 percent and 38 percent, respectively). A significant portion of the general revenues decrease is attributable to decreased revenues from transfer taxes as a result of the slowdown in the real estate market and a one-time revenue source in the prior year from the sale of a piece of property. The increase in program revenues is attributed mostly to federal funding from Delaware Department of Transportation for the Town's streetscape improvement project.
- In the governmental activities, current total expenditures increased from \$8,111,209 in 2008 to \$8,723,743 in 2009. This represents an eight percent increase. This increase is attributable mostly to the implementation of GASB No. 45 as disclosed in the footnotes.
- Total revenues in the Town's General Fund decreased from \$5,719,791 in 2008 to \$5,220,704 in 2009. This represents a nine percent decrease in total revenues for the General Fund. This decrease is attributable mostly to a decrease in transfer taxes which is a result of the slowdown in the real estate market.
- As of the end of the current fiscal year, the Town's Governmental Funds reported combined ending fund balances of \$4,658,555 which is a decrease from the prior year balance of \$7,873,456. This decrease is attributable to planned capital projects expenditures for the Town's infrastructure projects.
- As of the end of the current fiscal year, the Town's business-type activities reported net assets of \$24,750,226, an increase of \$2,476,798 as compared to the prior year. The current year increase in net assets can be attributed to capital acquisitions net of any applicable debt and the results of current year operations. User charges approximated the prior year due to stable rates and a slight increase in customers.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town of Smyrna's basic financial statements are comprised of three components:

1. Entity-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2009

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Entity-wide Financial Statements.** The entity-wide *financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. There are two entity-wide statements presented in this report.

- The *Statement of Net Assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The *Statement of Activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and compensated absences.)

Both of the entity-wide financial statements distinguish functions of the Town that are supported principally 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*).

In the entity-wide financial statements, the District's activities are divided into two categories:

- ***Governmental Activities:*** Most of the Town's basic services are included here, such as general government, public safety, public works, sanitation, economic development, and culture and recreation.
- ***Business-type Activities:*** The Town charges fees to help it cover the costs of certain services provided, such as water and sewer operations and an electric distribution operation. The Town purchases 100 percent of its electric supply requirements from the Delaware Municipal Electric Corporation ("DEMEC") under a long-term full requirements service contract. In addition, the Town is charged a fee by Kent County to discharge the Town's proportionate share of waste water into its respective facilities under an operating contract.

The entity-wide financial statements can be found on pages 23 and 24 of this report.

**Fund Financial Statements.** The fund financial statements provide more detailed information about the Town's funds. 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:*** Most of the Town's basic services are included in Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-wide financial statements, Governmental Fund financial statements focus on *short-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.

Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2009

Because the focus of Governmental Funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in the entity-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 Funds balance sheet and the Governmental Funds 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 several individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Reserve Funds, both of which are considered to be major funds.

Data from the Nonmajor Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor Governmental Funds is provided in the form of *combining statements* in this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic Governmental Fund financial statements can be found on pages 25 to 28 of this report.

***Proprietary Funds:*** The Town maintains two different types of Proprietary Funds: the Water and Sewer Fund and the Electric Fund. These funds are Enterprise Funds. *Enterprise Funds* are used to report the same functions presented as *Business-type Activities* in the entity-wide financial statements. These funds account for the financial transactions related to the water and sewer operations and electric distribution operations of the Town.

Proprietary Funds provide the same type of information as the entity-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Water and Sewer Fund and for the electric distribution operation, both of which are considered to be major funds of the Town.

The basic Proprietary Fund financial statements can be found on pages 30 to 32 of this report.

***Fiduciary Funds:*** The Town is the fiduciary for assets that belong to others, such as its employee pension plans. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes and by those to whom the assets belong. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the entity-wide financial statements because the resources of those funds are *not* available to support the Town's own programs.

The basic Fiduciary Fund financial statements can be found on page 33 and 34 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 entity-wide and fund financial statements. The notes to the financial statements can be found on 35 to 58 of this report.

Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2009

**Other Information.** The combining statements referred to earlier in connection with the Nonmajor Governmental Funds are presented immediately following the footnotes. Combining and individual fund statements and schedules can be found on pages 61-62 of this report.

**ENTITY-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Smyrna, assets exceeded liabilities by \$45,793,660 at the close of the most recent calendar year. The table below summarizes the net assets of the Town at December 31, 2009 and 2008.

**STATEMENT OF NET ASSETS**

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Assets:</b>						
Current and other assets	\$ 6,256,090	\$ 9,916,230	\$ 5,654,136	\$ 5,192,192	\$11,910,226	\$15,108,422
Capital assets	20,495,779	17,485,893	29,361,813	27,484,247	49,857,592	44,970,140
<b>Total Assets</b>	26,751,869	27,402,123	35,015,949	32,676,439	61,767,818	60,078,562
<b>Liabilities:</b>						
Long-term liabilities	4,390,299	4,018,015	7,380,933	7,302,352	11,771,232	11,320,367
Other liabilities	1,318,136	1,489,698	2,884,790	3,100,659	4,202,926	4,590,357
<b>Total Liabilities</b>	5,708,435	5,507,713	10,265,723	10,403,011	15,974,158	15,910,724
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	17,305,604	16,572,941	22,173,690	19,989,271	39,479,294	36,562,212
Unrestricted (deficit)	(475,766)	1,126,660	1,728,246	2,284,157	1,252,480	3,410,817
Restricted	4,213,596	4,194,809	848,290	-	5,061,886	4,194,809
<b>TOTAL NET ASSETS</b>	\$21,043,434	\$21,894,410	\$24,750,226	\$22,273,428	\$45,793,660	\$44,167,838

By far the largest portion of the Town's net assets (86 percent) reflects its investments in capital assets (e.g. land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (11 percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,252,480, may be used to meet the government's ongoing obligations to citizens and creditors.

Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2009

The Town's net assets increased by \$1,625,822 during the current year. This growth represents the degree to which increases in ongoing revenues such as property taxes, capital grants and contributions, and investment earnings have outstripped similar increases in ongoing expenses. In addition, the Town implemented certain cost-cutting measures to stay within its budgetary limits.

**Governmental Activities.** Governmental activities decreased the Town's net assets by \$850,976. This decrease is mostly due to a decrease in transfer taxes due to the slowdown in the real estate market and a one-time revenue source in the prior year from the sale of a piece of property that did not take place again this year.

**Business-type Activities.** Business-type activities increased the Town's net assets by \$2,476,798. The Town's change in net assets increased by 97 percent as compared to the prior year. This was due mostly to a decrease in subsidizing the governmental funds.

Changes in the net assets of the Town are highlighted in the following table:

**STATEMENT OF CHANGES IN NET ASSETS**

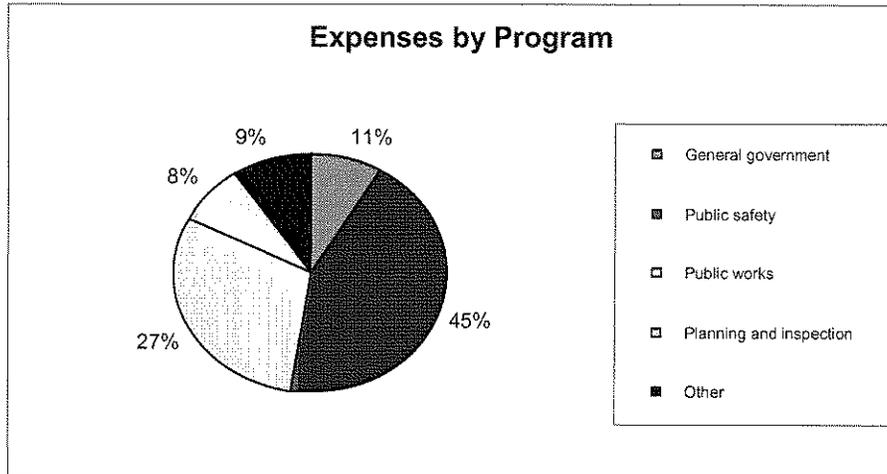
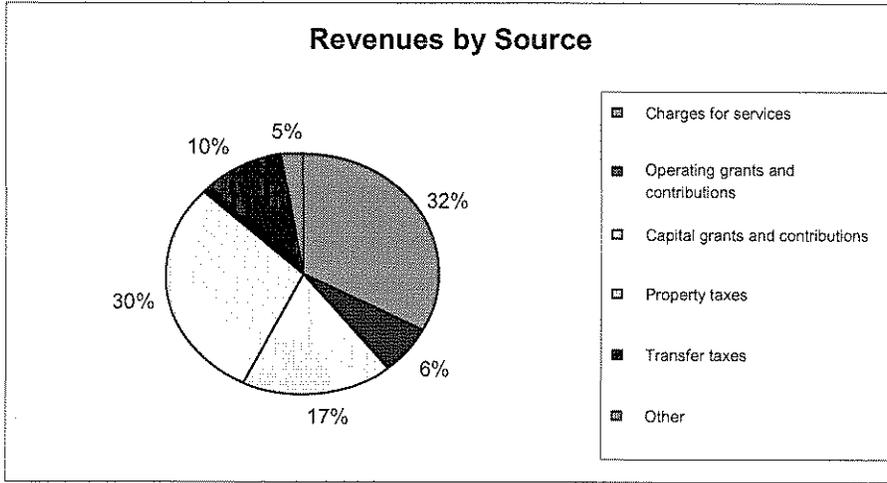
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 2,109,360	\$ 2,317,645	\$16,270,148	\$16,251,544	\$18,379,508	\$18,569,189
Operating grants and contributions	400,186	519,984	-	-	400,186	519,984
Capital grants and contributions	1,145,990	852,537	1,657,139	1,404,042	2,803,129	2,256,579
General revenues:						
Property taxes	1,933,324	1,841,492	-	-	1,933,324	1,841,492
Transfer taxes	669,914	1,051,590	-	-	669,914	1,051,590
Franchise fees	132,249	125,903	-	-	132,249	125,903
Investment earnings	56,471	196,127	479	2,396	56,950	198,523
Net gain on sale of capital assets	-	602,138	-	-	-	602,138
Other	167,996	75,126	-	-	167,996	75,126
<b>TOTAL REVENUES</b>	<u>6,615,490</u>	<u>7,582,542</u>	<u>17,927,766</u>	<u>17,657,982</u>	<u>24,543,256</u>	<u>25,240,524</u>
<b>EXPENSES</b>						
General government	991,556	541,804	-	-	991,556	541,804
Public safety	3,900,646	3,347,620	-	-	3,900,646	3,347,620
Public works	2,396,831	2,686,125	-	-	2,396,831	2,686,125
Planning and inspection	674,914	797,144	-	-	674,914	797,144
Library	290,558	272,447	-	-	290,558	272,447
Culture and recreation	308,638	356,473	-	-	308,638	356,473
Business park	11,370	13,325	-	-	11,370	13,325
Neighborhood housing rehabilitation	1,592	-	-	-	1,592	-
Interest on long-term debt	147,638	96,271	-	-	147,638	96,271
Electric	-	-	11,505,781	11,429,814	11,505,781	11,429,814
Water/sewer	-	-	2,687,910	2,743,058	2,687,910	2,743,058
<b>TOTAL EXPENSES</b>	<u>8,723,743</u>	<u>8,111,209</u>	<u>14,193,691</u>	<u>14,172,872</u>	<u>22,917,434</u>	<u>22,284,081</u>

**Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2009**

**STATEMENT OF CHANGES IN NET ASSETS**

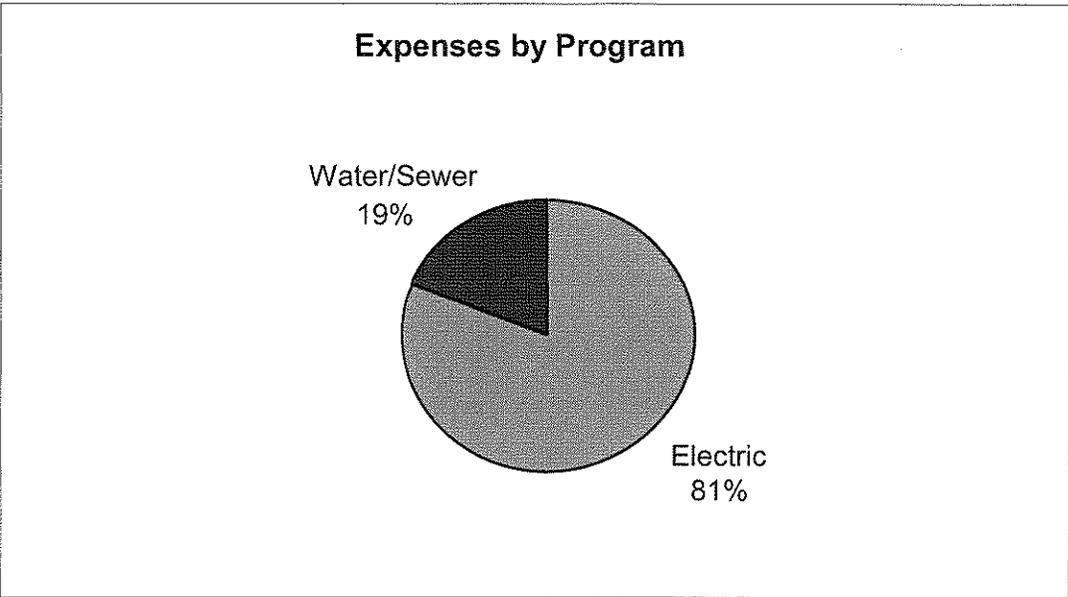
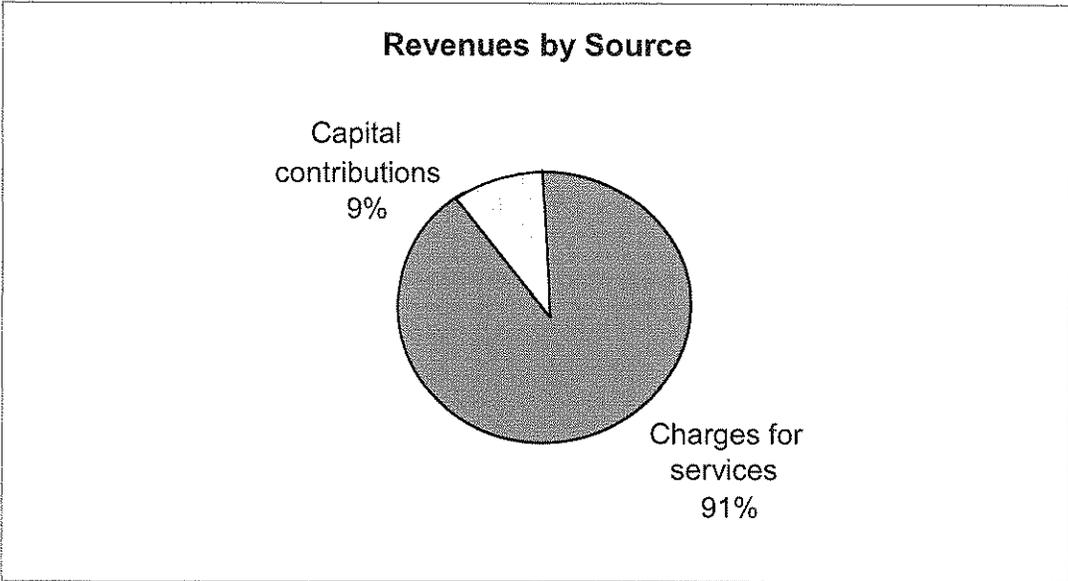
(cont'd)	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Change in net assets before transfers	(2,108,253)	(528,667)	3,734,075	3,485,110	1,625,822	2,956,443
Transfers	<u>1,257,277</u>	<u>2,228,153</u>	<u>(1,257,277)</u>	<u>(2,228,153)</u>	-	-
<b>CHANGE IN NET ASSETS</b>	(850,976)	1,699,486	2,476,798	1,256,957	1,625,822	2,956,443
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>21,894,410</u>	<u>20,194,924</u>	<u>22,273,428</u>	<u>21,016,471</u>	<u>44,167,838</u>	<u>41,211,395</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$21,043,434</u>	<u>\$21,894,410</u>	<u>\$24,750,226</u>	<u>\$22,273,428</u>	<u>\$45,793,660</u>	<u>\$44,167,838</u>

The following charts illustrate the revenue sources and uses of funds for the governmental activities of the Town:



Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2009

The following charts illustrate the revenue sources and uses of funds for the business-type activities of the Town:



Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2009

#### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

As of the end of the current calendar year, the Town's *Governmental Funds* reported combined ending fund balances of \$4,658,555. The primary component of this figure is the fund balance of the Capital Reserve Fund at \$3,891,067, which is reserved for future capital projects.

The General Fund is the primary operating fund of the Town. At the end of the current calendar year, the fund balance of the General Fund was \$444,959, all of which was considered unreserved. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. As of December 31, 2009, unreserved, undesignated fund balance represented approximately six percent of total general fund expenditures.

The fund balance of the Town's General Fund increased by \$122,312 during the current calendar year. This is a significant increase of 151 percent as compared to the prior year increase of 25 percent in fund balance. This increase is due mostly to the increase in transfers in from the proprietary funds to the General Fund.

**Proprietary Fund.** The Town's Proprietary Fund provides the same type of information found in the entity-wide financial statements but in more detail.

The unrestricted net assets of the Water and Sewer Fund and the Electric Fund at the end of the year amounted to \$1,728,246. The total growth in net assets for both funds was \$24,641 and \$2,452,157, 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

The schedule comparing the Town's budget and actual results can be found on page 29. A summary of variations between budget amounts and actual results is as follows:

- There were no amendments to the Town's original 2009 budget.
- Actual revenues exceeded budgeted revenue by only \$11,548.
- Actual expenditures were \$450,113 under budgeted amounts, or six percent of the total budget. As a result, fewer transfers from proprietary funds were necessary.

Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2009

**Capital Assets and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2009 amounts to \$49,857,592 (net of accumulated depreciation). The following table shows the breakdown of this figure.

**CAPITAL ASSETS (net of depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,110,795	\$ 1,249,124	\$ 85,171	\$ 85,171	\$ 1,195,966	\$ 1,334,295
Construction-in-progress	31,627	1,980,652	1,341,909	1,201,293	1,373,536	3,181,945
Land improvements	377,673	401,565	-	-	377,673	401,565
Buildings and Improvements	5,738,413	1,646,095	2,578,009	2,401,838	8,316,422	4,047,933
Infrastructure	11,863,486	10,648,309	25,037,792	23,427,636	36,901,278	34,075,945
Machinery and equipment	1,373,785	1,560,148	318,932	368,309	1,692,717	1,928,457
	<u>\$20,495,779</u>	<u>\$17,485,893</u>	<u>\$29,361,813</u>	<u>\$27,484,247</u>	<u>\$49,857,592</u>	<u>\$44,970,140</u>

Significant capital asset events within the governmental activities included the following purchases and project expenditures:

- Streetscape improvement project totaling \$1,520,738
- Municipal complex project totaling \$2,423,158

Significant capital asset events within the business-type activities included the following project expenditures:

- Town's water distribution project totaling \$891,251
- Town's waste water system project totaling \$107,154
- Town's Four Corners water and sewer project totaling \$967,127
- Historical downtown electrical project totaling \$97,382
- General electrical installation costs due to continued growth in Smyrna totaling \$393,144

Additional information on the Town's capital assets can be found in Note 4 of this report.

	Outstanding Debt Loans Payable	
	2009	2008
Governmental activities	\$ 3,190,175	\$ 3,297,079
Business-type activities	7,188,123	7,494,976
<b>TOTAL</b>	<u>\$ 10,378,298</u>	<u>\$ 10,792,055</u>

Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2009

The current legal long-term debt limit for the Town cannot exceed 4.5 percent of the total assessed valuation of all taxable property in the Town. This amounts to \$36,435,460 of the total assessed valuation, which is significantly more than the Town's outstanding debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The Town adopted its 2010 General Fund budget in December 2009 totaling \$6,239,254 (includes indirect costs of \$1,287,754) in revenues and \$8,836,379 in expenditures. The difference between budgeted revenues and expenditures will be subsidized through operating transfers from the proprietary funds. This budget represents a decrease in budgeted revenues of three percent and a decrease in budgeted expenditures of three percent. Property tax rates remained the same as in the prior year at 25.26 cents per \$100 of assessed value.
- The majority of the Town's city limits are in Kent County, for which the unemployment rate for the county was reported at 8.2 percent in December 2009. This compared favorably to the state's unemployment rate of 9.0 percent.
- The Town's total population at December 2009 is currently estimated at 11,040, an increase from the 2000 census, which placed the Town's total population at 5,679. It also is an increase from the estimated population of 10,435 at December 2008.
- The Town's occupancy rate for its central business district is currently 97 percent.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town'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 the Manager of Accounting and Business Services, Town of Smyrna, P.O. Box 307, 27 South Market Street Plaza, Smyrna, DE 19977.

**TOWN OF SMYRNA**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2009**  
(With Summarized Comparative Data for December 31, 2008)

	Governmental Activities	Business-type Activities	Totals	
			2009	2008
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 120,215	\$ 94,331	\$ 214,546	\$ 3,034,082
Investments	5,151,712	107,385	5,259,097	6,695,940
Taxes receivable	290,263	-	290,263	209,375
Accounts receivable	437,246	3,359,605	3,796,851	3,701,066
Inventory	3,276	1,024,789	1,028,065	1,045,391
Due from other governments	155,303	998,471	1,153,774	8,167
Prepaid items	98,075	21,459	119,534	156,584
Restricted assets - meter deposits	-	48,096	48,096	257,817
<b>Total Current Assets</b>	<u>6,256,090</u>	<u>5,654,136</u>	<u>11,910,226</u>	<u>15,108,422</u>
Noncurrent Assets:				
Capital assets, net				
Land	1,110,795	85,171	1,195,966	1,334,295
Construction-in-progress	31,627	1,341,909	1,373,536	3,181,945
Land improvements	377,673	-	377,673	401,565
Buildings and improvements	5,738,413	2,578,009	8,316,422	4,047,933
Infrastructure	11,863,486	25,037,792	36,901,278	34,075,945
Machinery and equipment	1,373,785	318,932	1,692,717	1,928,457
<b>Total Noncurrent Assets</b>	<u>20,495,779</u>	<u>29,361,813</u>	<u>49,857,592</u>	<u>44,970,140</u>
<b>TOTAL ASSETS</b>	<u>\$ 26,751,869</u>	<u>\$ 35,015,949</u>	<u>\$ 61,767,818</u>	<u>\$ 60,078,562</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 244,269	\$ 1,317,681	\$ 1,561,950	\$ 1,893,444
Accrued salaries and benefits	84,994	15,900	100,894	92,825
Accrued interest	6,181	17,493	23,674	26,249
Developer deposits	169,298	1,436,954	1,606,252	1,388,883
Deferred revenue	813,394	48,666	862,060	931,139
Payable from restricted assets - meter deposits	-	48,096	48,096	257,817
<b>Total Current Liabilities</b>	<u>1,318,136</u>	<u>2,884,790</u>	<u>4,202,926</u>	<u>4,590,357</u>
Noncurrent Liabilities:				
Portions due or payable within one year				
Loans payable	110,723	317,814	428,537	412,671
Portions due or payable after one year				
Accrued compensated absences	441,993	112,010	554,003	528,312
Other post-employment benefits	758,131	80,800	838,931	-
Loans payable	3,079,452	6,870,309	9,949,761	10,379,384
<b>Total Noncurrent Liabilities</b>	<u>4,390,299</u>	<u>7,380,933</u>	<u>11,771,232</u>	<u>11,320,367</u>
<b>TOTAL LIABILITIES</b>	<u>5,708,435</u>	<u>10,265,723</u>	<u>15,974,158</u>	<u>15,910,724</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	17,305,604	22,173,690	39,479,294	36,562,212
Unrestricted (deficit)	(475,766)	1,728,246	1,252,480	3,410,817
Restricted for police	59,755	-	59,755	59,436
Restricted for public works	262,774	-	262,774	148,140
Restricted for capital projects	3,891,067	848,290	4,739,357	3,987,233
<b>TOTAL NET ASSETS</b>	<u>21,043,434</u>	<u>24,750,226</u>	<u>45,793,660</u>	<u>44,167,838</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 26,751,869</u>	<u>\$ 35,015,949</u>	<u>\$ 61,767,818</u>	<u>\$ 60,078,562</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(With Summarized Comparative Data for the Year Ended December 31, 2008)**

	Program Revenues		Capital		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Operating Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>EXPENSES</b>							
GOVERNMENTAL ACTIVITIES							
General government	\$ 991,556	\$ -	\$ 45,400	\$ -	\$ (451,012)	\$ -	\$ 128,632
Public safety	3,900,646	230,187	-	-	(3,571,716)	-	(2,906,911)
Public works	2,396,831	115,103	1,100,590	-	(237,798)	-	(787,993)
Planning and inspection	674,914	-	-	-	(167,073)	-	(232,725)
Library	290,558	54,896	-	-	(171,370)	-	(155,977)
Culture and recreation	308,638	-	-	-	(308,638)	-	(356,473)
Business park	11,370	-	-	-	(11,370)	-	(13,325)
Neighborhood housing rehabilitation	1,592	-	-	-	(1,592)	-	-
Interest on long-term debt	147,638	-	-	-	(147,638)	-	(96,271)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,723,743</b>	<b>400,186</b>	<b>1,145,990</b>	<b>-</b>	<b>(5,068,207)</b>	<b>-</b>	<b>(4,421,043)</b>
BUSINESS-TYPE ACTIVITIES							
Electric	11,505,781	-	419,268	-	-	2,126,865	2,516,832
Water/Sewer	2,687,910	-	1,237,871	-	-	1,606,731	965,882
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>14,193,691</b>	<b>-</b>	<b>1,657,139</b>	<b>-</b>	<b>-</b>	<b>3,733,596</b>	<b>3,482,714</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$22,917,434</b>	<b>\$ 400,186</b>	<b>\$2,803,129</b>	<b>-</b>	<b>(5,068,207)</b>	<b>3,733,596</b>	<b>(938,329)</b>
<b>GENERAL REVENUES</b>							
Taxes:							
Real estate taxes					1,933,324	-	1,933,324
Real estate transfer taxes					669,914	-	669,914
Franchise fees					132,249	-	132,249
Investment earnings					56,471	479	56,950
Miscellaneous					167,996	-	167,996
Net gain on disposal of capital assets					-	-	-
Transfers					1,257,277	(1,257,277)	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>4,217,231</b>	<b>(1,256,798)</b>	<b>2,960,433</b>
<b>CHANGE IN NET ASSETS</b>					<b>(850,976)</b>	<b>2,476,798</b>	<b>1,625,822</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>					<b>21,894,410</b>	<b>22,273,428</b>	<b>41,211,395</b>
<b>NET ASSETS, END OF YEAR</b>					<b>\$21,043,434</b>	<b>\$24,750,226</b>	<b>\$44,167,838</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2009**  
(With Summarized Comparative Data for December 31, 2008)

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Totals	
				2009	2008
<b>ASSETS</b>					
Cash and cash equivalents	\$ 60,435	25	\$ 59,755	\$ 120,215	\$ 2,491,826
Investments	1,099,168	3,789,770	262,774	5,151,712	6,588,747
Taxes receivable	290,263	-	-	290,263	209,375
Accounts receivable	437,246	-	-	437,246	486,935
Due from other governments	-	155,303	-	155,303	8,167
Prepaid items	98,075	-	-	98,075	129,993
Inventory	3,276	-	-	3,276	1,187
<b>TOTAL ASSETS</b>	<b>\$ 1,988,463</b>	<b>\$ 3,945,098</b>	<b>\$ 322,529</b>	<b>\$ 6,256,090</b>	<b>\$ 9,916,230</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 190,238	\$ 54,031	-	\$ 244,269	\$ 593,275
Accrued salaries and benefits	84,994	-	-	84,994	107,239
Deferred revenue	1,098,974	-	-	1,098,974	1,180,091
Developer deposits	169,298	-	-	169,298	162,169
<b>TOTAL LIABILITIES</b>	<b>1,543,504</b>	<b>54,031</b>	<b>-</b>	<b>1,597,535</b>	<b>2,042,774</b>
<b>FUND BALANCES:</b>					
Unreserved	441,683	-	-	441,683	321,460
Reserved for police	-	-	59,755	59,755	59,436
Reserved for public works	-	-	262,774	262,774	148,140
Reserved for capital projects	-	3,891,067	-	3,891,067	7,343,233
Reserved for inventory	3,276	-	-	3,276	1,187
<b>TOTAL FUND BALANCES</b>	<b>444,959</b>	<b>3,891,067</b>	<b>322,529</b>	<b>4,658,555</b>	<b>7,873,456</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,988,463</b>	<b>\$ 3,945,098</b>	<b>\$ 322,529</b>	<b>\$ 6,256,090</b>	<b>\$ 9,916,230</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

TOTAL GOVERNMENTAL FUND BALANCES \$ 4,658,555

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 20,495,779

Some of the Town's assets are not available to pay for current expenditures and therefore are not reported in the funds. 285,580

Long-term liabilities, including loans payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Loans payable	\$ (3,190,175)	
Post-employment benefits	(758,131)	
Accrued interest	<u>(6,181)</u>	(3,954,487)

Compensated absences that are not due and payable in the current period are not reported in the funds. (441,993)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 21,043,434

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(With Summarized Comparative Data for the Year Ended December 31, 2008)

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Totals	
	2009	2009	2009	2009	2008
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 1,900,363	-	-	\$ 1,900,363	\$ 1,743,747
Transfer taxes	669,914	-	-	669,914	1,051,590
Special assessment/impact fees	470,676	-	-	470,676	624,061
Charges for services	1,070,184	-	-	1,070,184	945,717
Intergovernmental	308,750	1,090,314	147,941	1,547,005	840,427
Licenses, fees and permits	421,777	-	-	421,777	564,434
Fines and forfeits	62,553	-	-	62,553	85,312
Franchise fees	132,249	-	-	132,249	125,903
Investment income	2,199	53,043	1,229	56,471	196,127
Miscellaneous	182,039	1,499	-	183,538	84,212
<b>TOTAL REVENUES</b>	<u>5,220,704</u>	<u>1,144,856</u>	<u>149,170</u>	<u>6,514,730</u>	<u>6,261,530</u>
<b>EXPENDITURES</b>					
Current:					
General government	607,996	1,223	-	609,219	717,819
Public safety	3,219,923	-	34,019	3,253,942	3,474,587
Public works	1,659,260	-	2,522	1,661,782	1,894,852
Planning and inspection	631,693	-	-	631,693	790,029
Library	261,747	-	-	261,747	256,168
Culture and recreation	276,030	-	-	276,030	351,120
Business park	11,370	-	-	11,370	13,325
Neighborhood housing rehabilitation	1,592	-	-	1,592	-
Debt service:					
Principal	106,904	-	-	106,904	58,921
Interest	147,877	-	-	147,877	89,851
Capital outlays	-	4,047,151	-	4,047,151	1,929,437
<b>TOTAL EXPENDITURES</b>	<u>6,924,392</u>	<u>4,048,374</u>	<u>36,541</u>	<u>11,009,307</u>	<u>9,576,109</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,703,688)</u>	<u>(2,903,518)</u>	<u>112,629</u>	<u>(4,494,577)</u>	<u>(3,314,579)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	-	-	-	624,367
Loan proceeds	-	-	-	-	3,356,000
Refund of prior year expenditures	22,399	-	-	22,399	46,375
Transfers in	1,805,992	569,861	2,324	2,378,177	3,575,558
Transfers out	(2,391)	(1,118,509)	-	(1,120,900)	(1,347,405)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,826,000</u>	<u>(548,648)</u>	<u>2,324</u>	<u>1,279,676</u>	<u>6,254,895</u>
<b>NET CHANGE IN FUND BALANCES</b>	122,312	(3,452,166)	114,953	(3,214,901)	2,940,316
<b>FUND BALANCES, BEGINNING OF YEAR</b>	322,647	7,343,233	207,576	7,873,456	4,933,140
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 444,959</u>	<u>\$ 3,891,067</u>	<u>\$ 322,529</u>	<u>\$ 4,658,555</u>	<u>\$ 7,873,456</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,214,901)

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 as depreciation expense. This is the amount by which capital outlays (\$4,022,644) exceeded depreciation (\$866,739).	3,155,905
In the statement of activities, contributed assets are recognized as a capital contribution and as capital assets, whereas in the governmental funds, they are not recognized.	45,400
The statement of activities reports a gain or loss on the disposal of capital assets based on the proceeds received and the net book value of the assets at the time of disposal. The loss on disposal is calculated as the excess of the assets disposed (\$191,419) over the accumulated depreciation of the assets disposed (\$0).	(191,419)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues increased by this amount this year.	32,961
The issuance of long-term debt (e.g. loans payable) 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.	106,904
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Accrued interest expense decreased by this amount this year.	239
Expenses accrued for compensated absences and post-employment benefits reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds. Compensated absences and post-employment benefits increased by this amount this year.	<u>(786,065)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (850,976)</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Original and Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 1,875,000	\$ 1,900,363	\$ 25,363
Transfer taxes	1,000,000	669,914	(330,086)
Special assessment/impact fees	186,500	470,676	284,176
Charges for services	964,656	1,070,184	105,528
Intergovernmental	299,000	308,750	9,750
Licenses, fees and permits	560,000	421,777	(138,223)
Fines and forfeits	110,000	62,553	(47,447)
Franchise fees	123,000	132,249	9,249
Investment income	60,000	2,199	(57,801)
Miscellaneous	31,000	182,039	151,039
<b>TOTAL REVENUES</b>	<u>5,209,156</u>	<u>5,220,704</u>	<u>11,548</u>
<b>EXPENDITURES</b>			
Current:			
General government	788,003	607,996	180,007
Public safety	3,394,787	3,219,923	174,864
Public works	1,702,161	1,659,260	42,901
Planning and inspection	876,422	631,693	244,729
Library	314,784	261,747	53,037
Culture and recreation	286,348	276,030	10,318
Business park	12,000	11,370	630
Neighborhood housing rehabilitation	-	1,592	(1,592)
Debt service:			
Principal	-	106,904	(106,904)
Interest	-	147,877	(147,877)
<b>TOTAL EXPENDITURES</b>	<u>7,374,505</u>	<u>6,924,392</u>	<u>450,113</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(2,165,349)</u>	<u>(1,703,688)</u>	<u>461,661</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund of prior year expenses	-	22,399	22,399
Transfers in	2,165,349	1,805,992	(359,357)
Transfers out	-	(2,391)	(2,391)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,165,349</u>	<u>1,826,000</u>	<u>(339,349)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	122,312	122,312
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>563,975</u>	<u>322,647</u>	<u>(241,328)</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 563,975</u>	<u>\$ 444,959</u>	<u>\$ (119,016)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**  
**(With Summarized Comparative Data for December 31, 2008)**

	Electric Fund	Water and Sewer Fund	Totals	
			2009	2008
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 29,047	\$ 65,284	\$ 94,331	\$ 542,256
Investments	107,385	-	107,385	107,193
Due from other governments	-	998,471	998,471	-
Accounts receivable	2,927,489	432,116	3,359,605	3,214,131
Inventory	968,314	56,475	1,024,789	1,044,204
Prepaid items	15,079	6,380	21,459	26,591
Restricted assets - meter deposits	47,896	200	48,096	257,817
Total Current Assets	<u>4,095,210</u>	<u>1,558,926</u>	<u>5,654,136</u>	<u>5,192,192</u>
Noncurrent Assets:				
Capital assets, net	<u>13,149,030</u>	<u>16,212,783</u>	<u>29,361,813</u>	<u>27,484,247</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 17,244,240</b></u>	<u><b>\$ 17,771,709</b></u>	<u><b>\$ 35,015,949</b></u>	<u><b>\$ 32,676,439</b></u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$ 1,093,061	\$ 224,620	\$ 1,317,681	\$ 1,271,533
Accrued salaries and benefits	10,548	5,352	15,900	14,222
Accrued interest	8,254	9,239	17,493	19,829
Developer deposits	1,426,954	10,000	1,436,954	1,226,714
Deferred revenue	48,666	-	48,666	3,667
Accrued compensated absences	-	-	-	-
Current portion of loans payable	161,544	156,270	317,814	306,877
Payable from restricted assets - meter deposits	47,896	200	48,096	257,817
Total Current Liabilities	<u>2,796,923</u>	<u>405,681</u>	<u>3,202,604</u>	<u>3,100,659</u>
Noncurrent Liabilities:				
Accrued compensated absences	66,850	45,160	112,010	114,253
Post-employment benefits	53,867	26,933	80,800	-
Loans payable	4,098,841	2,771,468	6,870,309	7,188,099
Total Noncurrent Liabilities	<u>4,219,558</u>	<u>2,843,561</u>	<u>7,063,119</u>	<u>7,302,352</u>
<b>TOTAL LIABILITIES</b>	<u><b>7,016,481</b></u>	<u><b>3,249,242</b></u>	<u><b>10,265,723</b></u>	<u><b>10,403,011</b></u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,888,645	13,285,045	22,173,690	19,989,271
Restricted for capital projects	-	848,290	848,290	-
Unrestricted	1,339,114	389,132	1,728,246	2,284,157
<b>TOTAL NET ASSETS</b>	<u><b>10,227,759</b></u>	<u><b>14,522,467</b></u>	<u><b>24,750,226</b></u>	<u><b>22,273,428</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 17,244,240</b></u>	<u><b>\$ 17,771,709</b></u>	<u><b>\$ 35,015,949</b></u>	<u><b>\$ 32,676,439</b></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(With Summarized Comparative Data for the Year Ended December 31, 2008)**

	Electric Fund	Water and Sewer Fund	Totals	
			2009	2008
<b>OPERATING REVENUES</b>				
User service charges	\$13,069,636	\$ 3,013,564	\$16,083,200	\$15,833,288
Other operating revenue	143,742	43,206	186,948	418,256
Total Operating Revenues	<u>13,213,378</u>	<u>3,056,770</u>	<u>16,270,148</u>	<u>16,251,544</u>
<b>OPERATING EXPENSES</b>				
Electric purchased	8,958,927	-	8,958,927	8,927,732
Sewer charges	-	1,020,151	1,020,151	1,016,040
System maintenance	49,259	158,972	208,231	276,323
Salaries and wages	782,970	541,158	1,324,128	1,194,002
Employee benefits	481,624	290,884	772,508	801,152
Depreciation	552,589	362,047	914,636	821,564
Supplies and maintenance	103,382	61,166	164,548	223,666
Truck and vehicles	22,574	12,610	35,184	53,460
Insurance	39,216	19,034	58,250	53,678
Administration expenses	76,015	66,166	142,181	97,925
Professional services	187,735	81,052	268,787	341,820
Minor capital additions	-	-	-	25,328
Total Operating Expenses	<u>11,254,291</u>	<u>2,613,240</u>	<u>13,867,531</u>	<u>13,832,690</u>
<b>OPERATING INCOME</b>	<u>1,959,087</u>	<u>443,530</u>	<u>2,402,617</u>	<u>2,418,854</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	458	21	479	2,396
Interest expense	(206,490)	(74,670)	(281,160)	(285,182)
Stimulus federal funding	5,000	998,471	1,003,471	
Intergovernmental	(45,000)	-	(45,000)	(55,000)
Total Nonoperating Revenues (Expenses)	<u>(246,032)</u>	<u>923,822</u>	<u>677,790</u>	<u>(337,786)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>1,713,055</u>	<u>1,367,352</u>	<u>3,080,407</u>	<u>2,081,068</u>
Transfers in	68,568	1,017,720	1,086,288	982,844
Transfers out	(2,171,250)	(172,315)	(2,343,565)	(3,210,997)
Developer capital contributions	414,268	239,400	653,668	1,404,042
<b>CHANGE IN NET ASSETS</b>	<u>24,641</u>	<u>2,452,157</u>	<u>2,476,798</u>	<u>1,256,957</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>10,203,118</u>	<u>12,070,310</u>	<u>22,273,428</u>	<u>21,016,471</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$10,227,759</u>	<u>\$14,522,467</u>	<u>\$24,750,226</u>	<u>\$22,273,428</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(With Summarized Comparative Data for the Year Ended December 31, 2008)

	Electric Fund	Water and Sewer Fund	Totals	
			2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Received from customers	\$ 12,920,014	\$ 3,039,938	\$ 15,959,952	\$ 16,003,553
Paid to suppliers for goods and services	(9,495,286)	(1,290,277)	(10,785,563)	(10,938,663)
Paid to employees for services	(1,201,026)	(815,375)	(2,016,401)	(2,000,030)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,223,702</b>	<b>934,286</b>	<b>3,157,988</b>	<b>3,064,860</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	68,568	1,017,720	1,086,288	982,844
Transfers out	(2,171,250)	(172,315)	(2,343,565)	(3,210,997)
Advances to other funds	-	-	-	(107,193)
Grant-in-aid	(45,000)	-	(45,000)	(55,000)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(2,147,682)</b>	<b>845,405</b>	<b>(1,302,277)</b>	<b>(2,390,346)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Repayment of loans payable	(154,328)	(152,525)	(306,853)	(295,794)
Developer contributions and repayments of escrows	614,507	10,000	624,507	729,877
Acquisition and construction of capital assets	(536,677)	(2,016,125)	(2,552,802)	(1,883,663)
Stimulus federal funding	5,000	-	5,000	-
Interest paid	(206,789)	(76,707)	(283,496)	(286,001)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(278,287)</b>	<b>(2,235,357)</b>	<b>(2,513,644)</b>	<b>(1,735,581)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments	(192)	-	(192)	-
Investment income	458	21	479	2,396
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>266</b>	<b>21</b>	<b>287</b>	<b>2,396</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(202,001)</b>	<b>(455,645)</b>	<b>(657,646)</b>	<b>(1,058,671)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>278,944</b>	<b>521,129</b>	<b>800,073</b>	<b>1,858,744</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 76,943</b>	<b>\$ 65,484</b>	<b>\$ 142,427</b>	<b>\$ 800,073</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income	\$ 1,959,087	\$ 443,530	\$ 2,402,617	\$ 2,418,854
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	552,589	362,047	914,636	821,564
Decrease (Increase) in assets:				
Accounts receivable	(128,442)	(17,032)	(145,474)	(208,725)
Inventory	14,175	5,240	19,415	(92,657)
Prepaid items	3,915	1,217	5,132	249
Increase (Decrease) in liabilities:				
Accounts payable	(76,268)	122,417	46,149	229,414
Due to other funds	-	-	-	(152,105)
Accrued salaries and benefits	1,415	263	1,678	5,951
Deferred revenue	44,999	-	44,999	(875)
Meter deposits	(209,921)	200	(209,721)	49,247
Compensated absences	8,286	(10,529)	(2,243)	(6,057)
Post-employment benefits	53,867	26,933	80,800	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 2,223,702</b>	<b>\$ 934,286</b>	<b>\$ 3,157,988</b>	<b>\$ 3,064,860</b>
Noncash capital and related financing activities:				
Contributions of capital assets from developers	\$ -	\$ 239,400	\$ 239,400	\$ 582,642
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:</b>				
Cash and cash equivalents	\$ 29,047	\$ 65,284	\$ 94,331	\$ 542,256
Meter deposits, restricted	47,896	200	48,096	257,817
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 76,943</b>	<b>\$ 65,484</b>	<b>\$ 142,427</b>	<b>\$ 800,073</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA  
STATEMENTS OF NET ASSETS - FIDUCIARY FUNDS  
DECEMBER 31, 2009 AND 2008**

	Totals	
	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 175,862	\$ 116,768
Investments	4,564,617	3,156,931
Insurance contracts	3,321,917	3,165,268
<b>TOTAL ASSETS</b>	<b>\$ 8,062,396</b>	<b>6,438,967</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>	\$ 11,662	\$ -
<b>NET ASSETS</b>		
Assets held in trust for employee pension benefits	8,050,734	6,438,967
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,062,396</b>	<b>\$ 6,438,967</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**STATEMENTS OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	Totals	
	2009	2008
ADDITIONS AND INVESTMENT INCOME (LOSSES)		
Contributions:		
Employer contribution	\$ 936,828	\$ 836,785
State aid - police	76,292	89,888
Total Contributions	<u>-</u>	<u>926,673</u>
Investment income (loss):		
Interest and dividends	262,563	290,588
Net (depreciation) appreciation in fair value of investments	675,306	(1,591,932)
Total Investment Income (loss)	<u>937,869</u>	<u>(1,301,344)</u>
Less investment expense	88,305	80,893
Net Investment Income (loss)	<u>849,564</u>	<u>(1,382,237)</u>
TOTAL ADDITIONS AND INVESTMENT INCOME (LOSSES)	<u>849,564</u>	<u>(455,564)</u>
DEDUCTIONS		
Benefits paid	249,094	215,797
Administrative expenses	1,823	6
TOTAL DEDUCTIONS	<u>250,917</u>	<u>215,803</u>
CHANGE IN NET ASSETS	1,611,767	(671,367)
NET ASSETS, BEGINNING OF YEAR	<u>6,438,967</u>	<u>7,110,334</u>
NET ASSETS, END OF YEAR	<u>\$ 8,050,734</u>	<u>\$ 6,438,967</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Smyrna have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Financial Reporting Entity

The Town of Smyrna, Delaware (the "Town") was incorporated in 1817, under the provisions of the State of Delaware. The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, utilities, culture and recreation, planning and inspection, and general government.

GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the Town's financial reporting entity are financial interdependences, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships.

The Town has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Town's financial statements. In addition, the Town is not aware of any entity which would exercise such oversight which would result in the Town being considered a component unit of the entity.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the last are excluded from the entity-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. In addition, the fund financial statements present fiduciary funds by fund type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The government 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 become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific Town expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Other revenues, including charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Long-term debt issues and acquisitions under capital leases are reported as other financing sources.

The Town reports the following major governmental funds:

**General Fund** – This fund is used to account for the general operating activities of the Town. General government, library, public safety, public works, culture and recreation, planning and inspections, and the business park are financed through this fund with receipts from general property taxes, transfer taxes, licenses and permits, investment interest, fines, charges for current services, intergovernmental and other revenue.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital Reserve Fund – This fund is used to account for the design, construction and improvement of Town buildings, land improvements, and the purchase and replacement of vehicles and machinery and equipment.

Nonmajor Governmental Funds – In addition to the above major governmental funds, the Town includes the Municipal Street Aid, S.A.L.L.E., E.I.D.E., Resource Officer and Forfeiture funds in its financial statements.

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary funds are electric and water/sewer charges. Operating expenses for the Town's proprietary funds include salaries, employee benefits, production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the entity-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

The Town reports the following major proprietary funds:

Electric Fund - Used to account for the operation of an electric distribution system.

Water and Sewer Fund - Used to account for the operation of a water supply and sewage collection system.

Fiduciary funds account for assets held by the Town as a trustee for individuals, private organizations and/or governmental units and are, therefore, not available to support the Town's operations. The measurement focus and basis of accounting for fiduciary funds is the same as for proprietary funds.

The Town also reports the following fund type:

Pension Trust Funds - These funds are used to account for the assets held by the pension plan for full-time city employees and the pension plan for full-time police officers in a trustee capacity for the employees of the Town. The pension plans, which are part of the Town's legal entity, are single-employer defined benefit pension plans that provide benefits to Town employees.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts

The Town of Smyrna's water, sewer and electric utilities experience very small losses from uncollectible accounts. Water and sewer fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Electric fees do not constitute a lien; however, maintenance of adequate customer deposits, monthly billing and diligent collection procedures minimize losses from uncollectible accounts. Accordingly, an allowance for doubtful accounts has not been established by the Town for its proprietary funds.

Inventories and Prepaid Items

Inventories of business-type activities and proprietary fund types are valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both entity-wide and fund financial statements.

Capital Assets

Capital assets, including property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. The Town has defined capital assets as assets with an initial, individual cost of more than \$5,000; capital projects, inclusive of ancillary costs, in excess of \$100,000; and an estimated useful life in excess of one year. Capital assets may be purchased or constructed and are recorded at cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital assets of the Town are depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	50 years
Infrastructure	20-50 years
Land improvements	20-50 years
Machinery and equipment	5-20 years

Compensated Absences

Regular, full-time employees begin to accrue vacation and sick leave when they are hired; however, they are not eligible to use vacation and sick leave until they have completed their first six months of employment. Sick leave is accrued at the rate of 12 days per completed year prorated at the rate of one day for each completed month of service. Employees may accumulate an unlimited number of sick leave days. One-half of the full amount accumulated up to 45 days maximum is paid if termination is through retirement or death. Vacation is accrued for each month of work performed. The accrual rate increases with years of service up to a maximum of 24 days per year for 20 years of service and over. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service. In addition, a vacation sell-back policy has been instituted, in which case, in December, an employee has the ability to sell back up to a maximum of five days of unused vacation leave earned by the employee since the prior December.

Accumulated vacation and sick leave is accrued when incurred in the entity-wide financial statements and proprietary fund types. A liability is reported in the governmental funds only if it is expendable from available financial resources. Historically, the General Fund has been responsible for liquidation of compensated absences associated with governmental fund activities. Compensated absences associated with proprietary funds are liquidated from the fund in which the liability was generated.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and bond issuance costs during the current financial period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Payments of long-term obligations are to be funded by the fund that incurred the debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The proprietary funds report the same three components of net

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

assets as do the entity-wide financial statements. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources as they are needed.

Property Taxes

Property taxes attach as an enforceable lien on property when levied. All liens continue until property taxes are paid in full. Taxes are levied on May 1 and are payable on or before September 30. Taxes paid before May 31 are given a six percent discount. Taxes paid after the payable date are assessed interest at 1-1/2 percent per month after the due date. The Town bills and collects its own property taxes. Town property tax revenues are recognized on a *pro rata* basis. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. The property tax rate for 2009 was 25.26 cents per \$100 of assessed value.

Use of Estimates In the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Certain assets are classified as restricted at the government-wide level because they are maintained in separate bank accounts and their use is limited.

Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on a basis consistent with generally accepted accounting principles.
- b. The Town Council adopts legal annual budgets for the General Fund and Proprietary Funds. The Town Council also adopts legal project length budgets for its Capital Reserve Fund and certain nonmajor governmental funds. Since project periods may differ from the Town's fiscal year, a comparison of budgetary information for the combined Capital Reserve Fund and certain nonmajor governmental funds would not be meaningful and has not been presented in the accompanying financial statements.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- c. The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- d. Unused appropriations for all of the above annually budgeted funds lapse at year end.
- e. For 2009, there were revisions to the legally adopted budgets.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, the General Fund incurred expenditures in excess of appropriations in the following functions:

Neighborhood Housing Rehabilitation	\$ 1,592
Debt service	\$ 254,781

The excess of expenditures were funded by transfers in from the proprietary funds and current year expenditure appropriations that were under budget.

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town of Smyrna as a depositor and an investor generally requires full and continuous collateralization based upon fair value in the form of:

- Obligations of or guaranteed by the United States of America, or
- Obligations of the Federal National Mortgage Association, the Federal Home Mortgage Corporation, Public Housing Authority or an agency or instrumentality of the United States of America, or
- General or revenue obligations of the State of Delaware or its municipalities, subdivisions, public housing authorities or any agency or instrumentality of the State of Delaware.

As an investor, the Town of Smyrna may invest in any of the above cited instruments and/or certificates of deposit or repurchase agreements fully collateralized by one or more of the above-cited instruments.

The Town maintains a cash and investment pool that is available for use by all funds. This pool is displayed on the balance sheet and the statement of net assets as either cash or investments. Deposits and investments of governmental, proprietary and fiduciary funds are reported at fair value.

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS (cont'd)

*Deposits*

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2009, the carrying amount of the Town's deposits was \$262,642 and the bank balance was \$981,788. Of the bank balance, \$270,011 was covered by federal depository insurance, and \$711,777 was insured or registered and the securities held by the Town or its agent in the Town's name.

The above does not include pension fund deposits disclosed in Notes 8 and 9.

*Investments*

As of December 31, 2009, the Town had the following investments:

U.S. Treasury bills	\$ 3,799,460
Mutual funds	<u>1,459,637</u>
	<u>\$ 5,259,097</u>

U.S. Treasury bills and notes are securities of agencies of the U.S. Government that have an implied but not explicit guarantee. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

The Town has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments under the Town's investment policy are limited to a maximum maturity at time of purchase of four years. The Town may, for purposes of the Capital Reserve Fund only, invest in instruments having a maximum maturity at the time of purchase of 10 years; provided, however, that the maximum average maturity of the portfolio of the Capital Reserve Fund shall be seven years. At December 31, 2009, the Town's investments in U.S. Treasury bills had maturity dates of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town has no investments subject to custodial credit risk.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS (cont'd)

Credit Risk

The Town has an investment policy which limits investment choices to those which are backed by the full faith and credit of the U.S. Government through either an explicit or implied manner; obligations of a state, county or city or institutional investment pools with a Moody's Investor Services rating of "A" or better or an equivalent rating from other industry-recognized rating agencies; and investments in corporate bonds and debentures with a Moody's Investor Services or Standard and Poors rating of at least "AA." The Town has no investments subject to credit risk.

Concentration Risk

The investment policy of the Town does not limit amounts invested in U.S. Government guaranteed obligations.

The above does not include pension fund investments disclosed in Notes 8 and 9.

NOTE 4 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,249,124	\$ 53,090	\$ 191,419	\$ 1,110,795
Construction-in-progress	1,980,652	-	1,949,025	31,627
Total Capital Assets Not Being Depreciated	<u>3,229,776</u>	<u>53,090</u>	<u>2,140,444</u>	<u>1,142,422</u>
Capital assets being depreciated:				
Buildings and improvements	2,504,554	4,169,397	-	6,673,951
Infrastructure	15,327,746	1,723,524	-	17,051,270
Land improvements	763,726	-	-	763,726
Machinery and equipment	3,571,466	71,058	-	3,642,524
Total Capital Assets Being Depreciated	<u>22,167,492</u>	<u>5,963,979</u>	<u>-</u>	<u>28,131,471</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 858,459	\$ 77,079	\$ -	\$ 935,538
Infrastructure	4,679,437	508,347	-	5,187,784
Land improvements	362,161	23,892	-	386,053
Machinery and equipment	2,011,318	257,421	-	2,268,739
Total accumulated depreciation	<u>7,911,375</u>	<u>866,739</u>	<u>-</u>	<u>8,778,114</u>
Total Capital Assets Being Depreciated, Net	<u>14,256,117</u>	<u>5,097,240</u>	<u>-</u>	<u>19,353,357</u>
Governmental Activities Assets, Net	<u>\$ 17,485,893</u>	<u>\$ 5,150,330</u>	<u>\$ 2,140,444</u>	<u>\$ 20,495,779</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 85,171	\$ -	\$ -	\$ 85,171
Construction-in-progress	<u>1,201,293</u>	<u>1,028,729</u>	<u>888,113</u>	<u>1,341,909</u>
Total Capital Assets Not Being Depreciated	<u>1,286,464</u>	<u>1,028,729</u>	<u>888,113</u>	<u>1,427,080</u>
Capital assets being depreciated:				
Buildings and improvements	2,959,171	239,400	-	3,198,571
Infrastructure	27,515,960	2,390,763	-	29,906,723
Machinery and equipment	<u>1,233,277</u>	<u>21,423</u>	-	<u>1,254,700</u>
Total Capital Assets Being Depreciated	<u>31,708,408</u>	<u>2,651,586</u>	-	<u>34,359,994</u>
Less accumulated depreciation for:				
Buildings and improvements	557,333	63,229	-	620,562
Infrastructure	4,088,324	780,607	-	4,868,931
Machinery and equipment	<u>864,968</u>	<u>70,800</u>	-	<u>935,768</u>
Total accumulated depreciation	<u>5,510,625</u>	<u>914,636</u>	-	<u>6,425,261</u>
Total Capital Assets Being Depreciated, Net	<u>26,197,783</u>	<u>1,736,950</u>	-	<u>27,934,733</u>
Business-type Activities Assets, Net	<u>\$ 27,484,247</u>	<u>\$ 2,765,679</u>	<u>\$ 888,113</u>	<u>\$ 29,361,813</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 106,445
Public safety	128,094
Public works	597,129
Planning and inspection	2,262
Library	14,227
Culture and recreation	<u>18,582</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 866,739</u>
Business-type Activities:	
Electric	\$ 552,589
Water	<u>362,047</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 914,636</u>

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT

A schedule of changes in long-term debt is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Loans payable	\$3,297,079	\$ -	\$ 106,904	\$3,190,175
Compensated absences	<u>414,059</u>	<u>345,253</u>	<u>317,319</u>	<u>441,993</u>
<b>TOTAL</b>	<u>\$3,711,138</u>	<u>\$ 345,253</u>	<u>\$ 424,223</u>	<u>\$3,632,168</u>
<b>Business-type Activities:</b>				
Loans payable	\$7,494,976	\$ -	\$ 306,853	\$7,188,123
Compensated absences	<u>114,253</u>	<u>49,977</u>	<u>52,220</u>	<u>112,010</u>
<b>TOTAL</b>	<u>\$7,609,229</u>	<u>\$ 49,977</u>	<u>\$ 359,073</u>	<u>\$7,300,133</u>

Loans Payable

**Governmental Activities:**

The Town obtained permanent financing in the amount of \$3,365,000. The proceeds of this note will be used to finance construction for the municipal complex and electrical installation services for the Four Corners Shopping Center. The loan requires monthly payments of \$21,232, including interest at 4.50%, with a balloon payment due May 14, 2012.

\$3,190,175

Total Governmental Activities

\$3,190,175

**Business-type Activities:**

Loan payable issued by the Delaware Economic Development Authority to fund the Town's water main expansion which will serve the Walmart Distribution Center on Route 300. The loan matures on May 1, 2013 and bears no interest. Annual principal payments in the amount of \$7,500 are due on May 1.

\$ 30,000

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control and administered by the Delaware Department of Health and Social Services to fund a drinking water well located on Carter Road. The loan matures on May 1, 2024 and bears interest at 2.72% payable on May 1 and November 1.

1,314,388

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control and administered by the Delaware Department of Health and Social Services to fund the North Water Tower. The loan matures on May 15, 2027 and bears interest at 2.41% payable on May 15 and November 15. 1,583,351

The Town obtained permanent financing in the amount of \$4,644,000 to pay off a Bond Anticipation Note which matured April 27, 2007. The proceeds from the Bond Anticipation Note were used to finance the development and construction of an electric substation. The loan requires monthly payments of \$29,380, including interest at 4.50%, with a balloon payment due May 14, 2012. 4,260,384

Total Business-type Activities \$7,188,123

An analysis of debt service requirements to maturity on the loans is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2010	\$ 428,537	\$ 408,039	\$ 836,576
2011	445,064	391,511	836,575
2012	7,057,397	169,736	7,227,133
2013	168,100	61,132	229,232
2014	164,749	56,983	221,732
2015-2019	889,851	219,110	1,108,961
2020-2024	955,820	97,689	1,053,509
2025-2027	268,780	9,794	278,574
Total	<u>\$10,378,298</u>	<u>\$ 1,413,994</u>	<u>\$11,792,292</u>

Compensated Absences

At December 31, 2009, accrued compensated absences for governmental activities totaled \$441,993. This total is comprised of accrued vacation leave of \$187,078 and accrued sick leave of \$254,915. In addition, at December 31, 2009, accrued compensated absences in the business-type activities and proprietary funds totaled \$112,010. This total is comprised of accrued vacation leave of \$49,679 and accrued sick leave of \$62,331.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2009 was as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 2,391	\$ 1,805,992
Capital Reserve Fund	1,118,509	569,861
Water and Sewer Fund	172,315	1,017,720
Electric Fund	2,171,250	68,568
Non-major Funds	<u>-</u>	<u>2,324</u>
<b>TOTAL</b>	<b><u>\$ 3,464,465</u></b>	<b><u>\$ 3,464,465</u></b>

Transfers from the proprietary funds to the General Fund represent Board-approved transfers to subsidize the operations of the Town's primary government. All other transfers represent the flow of resources to accommodate the costs of certain capital projects.

NOTE 7 INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

A schedule of invested in capital assets, net of related debt as of December 31, 2009 is as follows:

Governmental Activities:	
Total capital assets, net	\$ 20,495,779
Less: loans payable	<u>3,190,175</u>
<b>Total Invested in Capital Assets, Net</b>	<b><u>\$ 17,305,604</u></b>
Business-type Activities:	
Total capital assets, net	\$ 29,361,813
Less: loans payable	<u>7,188,123</u>
<b>Total Invested in Capital Assets, Net</b>	<b><u>\$ 22,173,690</u></b>

NOTE 8 POLICE PENSION FUND

Plan Description and Provisions

The Town's Police Pension Fund is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. The full cost of the plan is assumed by the Town. Contributions are not required of the Town's police officers.

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8     POLICE PENSION FUND (cont'd)

The plan was established as of January 1, 1996, spun off in 1975 to create the current plans revised as of January 1994. The financial records are maintained on a plan year which begins each January 1 and ends on December 31.

The plan is administered by the Committee (Plan Administration) which is comprised of the Mayor and Town Council. The Committee is fully responsible for the plan's administration, including eligibility for participation and determination of benefits. The Town Council has delegated the authority to manage certain plan assets to Linsco/Private Ledger Financial Services, Aetna Life Insurance Company and Lincoln Financial Securities Corporation.

The Town's Police Pension Plan does not issue a stand alone financial report but is included in these financial statements with the required supplementary information.

As of January 1, 2009, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	22
Terminated vested participants	4
Retirees and beneficiaries currently receiving benefits	<u>8</u>
	<u>34</u>

Police Pension Fund plan benefit provisions are as follows:

All police officers are eligible to participate in the plan after completing one year of service, if they have attained their 21st birthday and 1,000 hours of continuous employment during the plan year.

Effective January 1, 1993, employees who are discharged or resign before qualifying for retirement benefits will be entitled to 100 percent vested interest in their accrued pension benefits, payable as of the first day of the month following their normal retirement date provided that they have completed at least five full years of service to the Town.

The pension plan provides for normal retirement at the earlier of attainment of age 50 and completion of 10 years of participation or completion of 20 years of vesting service; and for employees hired after April 19, 1999, the earlier of attainment of age 55 and completion of 10 years of participation, or completion of 20 years of vesting service.

Participant benefits are based on 2-1/2 percent of the three highest years of average compensation multiplied by benefit service.

There is no provision for early retirement.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Basis of Accounting

The Plan's policy is to prepare its financial statements on the accrual basis of accounting.

Valuation of Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the company.

*Deposits*

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2009, the carrying amount of the police pension fund deposits was \$81,971, and bank balance of the police pension fund deposits was \$81,832. Of this amount, \$80,634 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$1,198 was equal to the deposits in a federated prime obligations fund held by the trustee of the pension plan in the Town's name.

*Investments*

The investment objective of the Town of Smyrna Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than speculative portfolios.

As of December 31, 2009, the Town of Smyrna Police Pension Plan had the following investments:

	<u>Fair Value</u>
Domestic equity mutual funds and corporate bonds	\$ 1,895,278
Unallocated fixed income insurance contracts	<u>1,915,160</u>
Total	<u>\$ 3,810,438</u>

Investments in external investment pools, such as those in mutual funds and fixed income insurance contracts, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged and paid by short-term assets of the plan.

Annual Pension Cost

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal method assuming an investment return of seven percent and a compensation increase of 4.5 percent per year. Prior to the 2004 fiscal year, employer contributions were determined on an actuarial basis using the frozen age entry method. The change in the Town's funding policy from the frozen age entry method to the entry age normal method was implemented to eliminate the plan's unfunded actuarial liability at the end of 15 years from January 1, 2004.

The entry age normal method determines a projected benefit at each active participant's assumed retirement age assuming future compensation increases. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of compensation each year, it would accumulate at the valuation interest rate over the total prior and future years of service to the assumed retirement date into an amount sufficient to fund the projected benefit. The plan's accrued liability is the sum of the accumulation of each active participant's normal costs attributable to all prior years of service plus the present value of each inactive participant's future benefits.

The recommended contribution payable is based on an annually adjusted amortization amount determined in a way that the unfunded actuarial accrued liability will be fully funded at the end of the 15-year period beginning January 1, 2004.

The actuarial value of plan assets is equal to the book value of assets with Aetna Life Insurance Company plus the market value of all other investments.

The unfunded actuarial accrued liability is being amortized as a level percentage of compensation each year. The remaining amortization period at December 31, 2009 was 9 years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2009	\$ 469,209	100.17%	\$ (128,854)
12/31/2008	\$ 433,209	100.00%	\$ (128,071)
12/31/2007	\$ 434,667	106.82%	\$ (128,071)

The above information regarding the Police Pension Fund was taken from the January 1, 2009 Actuarial Valuation presented by Milliman USA, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA dated December 2009.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 FULL-TIME EMPLOYEES PENSION FUND

Plan Description and Provisions

The Town's Full-Time Employee Pension Fund is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. The full cost of the plan is assumed by the Town. Contributions are not required of the Town's employees.

The plan was established as of January 1, 1996, spun off in 1975 to create the current plans revised as of January 1994. The financial records are maintained on a plan year which begins each January 1 and ends on December 31.

The plan is administered by the Committee (Plan Administration) which is comprised of the Mayor and Town Council. The Committee is fully responsible for the plan's administration, including eligibility for participation and determination of benefits. The Town Council has delegated the authority to manage certain plan assets to Linsco/Private Ledger Financial Services, Aetna Life Insurance Company and Lincoln Financial Securities Corporation.

The Town's Full-time Employee Pension Fund does not issue a stand alone financial report but is included in the financial statement with the required supplementary information.

As of January 1, 2009, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	49
Terminated vested participants	21
Retirees and beneficiaries currently receiving benefits	<u>7</u>
	<u>77</u>

Full-time Employee Pension Fund plan benefit provisions are as follows:

All full-time employees are eligible to participate in the plan after completing one year of service, if they have attained their 21st birthday and 1,000 hours of continuous employment during the plan year.

Effective January 1, 1993, employees who are discharged or resign before qualifying for retirement benefits will be entitled to 100 percent vested interest in their accrued pension benefits, payable as of the first day of the month following their normal retirement date provided that they have completed at least five full years of service to the Town.

The pension plan provides for normal retirement at age 65 and completion of 10 years of participation, or completion of 25 years of vesting service.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

Effective January 1, 2007, participant benefits are based on 2-1/2 percent of the three highest years of average compensation multiplied by benefit service not to exceed 40 years. Benefits for service prior to January 1, 2007 were based on a two percent benefit multiplier.

Eligibility for early retirement benefit is age 55 and 10 years of vesting service.

Valuation of Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the company.

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2009, the carrying amount of the full-time employee pension fund deposits was \$93,891, and bank balance was \$93,777. Of this amount, \$90,483 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$3,294 was equal to the deposits in a federated prime obligations fund held by the trustee of the pension plan in the Town's name.

***Investments***

The investment objective of the Town of Smyrna Full-time Employee Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than speculative portfolios.

As of December 31, 2009, the Town of Smyrna Full-time Employee Pension Plan had the following investments:

	<u>Fair Value</u>
Domestic equity mutual funds and corporate bonds	\$ 2,669,339
Unallocated fixed income insurance contracts	<u>1,406,757</u>
Total	<u>\$ 4,076,096</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

Investments in external investment pools, such as those in mutual funds and fixed income insurance contracts, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged and paid by short-term assets of the plan.

Annual Pension Cost

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal method assuming an investment return of seven percent and a compensation increase of 4.5 percent per year. Prior to the 2004 fiscal year, employer contributions were determined on an actuarial basis using the frozen age entry method. The change in the Town's funding policy from the frozen age entry method to the entry age normal method was implemented to eliminate the plan's unfunded actuarial liability at the end of 15 years from January 1, 2004.

The entry age normal method determines a projected benefit at each active participant's assumed retirement age assuming future compensation increases. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of compensation each year, it would accumulate at the valuation interest rate over the total prior and future years of service to the assumed retirement date into an amount sufficient to fund the projected benefit. The plan's accrued liability is the sum of the accumulation of each active participant's normal costs attributable to all prior years of service plus the present value of each inactive participant's future benefits.

The recommended contribution payable is based on an annually adjusted amortization amount determined in a way that the unfunded actuarial accrued liability will be fully funded at the end of the 15-year period beginning January 1, 2004.

The actuarial value of plan assets is equal to the book value of assets with Aetna Life Insurance Company plus the market value of all other investments.

The unfunded actuarial accrued liability is being amortized as a level percentage of compensation each year. The remaining amortization period at December 31, 2009 was nine years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2009	\$ 542,282	100.16%	\$ (347,585)
12/31/2008	\$ 494,464	100.00%	\$ (346,739)
12/31/2007	\$ 415,674	108.09%	\$ (346,739)

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

The above information regarding the Full-time Employees Pension Fund was taken from the January 1, 2009 Actuarial Valuation presented by Milliman USA, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA dated December 2009.

NOTE 10 POST-EMPLOYMENT RETIREMENT BENEFITS

Plan Description

Effective for the year ended December 31, 2009, the Town has implemented Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the Town. This Statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

The Town's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Mayor and Council have the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2009, the Town contributed \$37,469 to the plan for current premiums, or approximately 76 percent of total premiums. Plan members receiving benefits contributed \$11,903, or approximately 24 percent of total premiums, through their required monthly contributions.

Post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2009 totaled \$37,128.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the components of the Town's OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan.

Annual required contribution	\$ 909,731
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	909,731
Contributions made	<u>(70,800)</u>
Increase in net OPEB obligation	838,931
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 838,931</u>

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$5,663,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$5,663,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,545,000, and the ratio of the UAAL to the covered payroll was 159.75 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 POST-EMPLOYMENT RETIREMENT BENEFITS (cont'd)

In the January 1, 2009, actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 4.0 percent per annum, discount rate compounded annually, and an annual healthcare cost trend rate of 7.30 percent in 2009, reduced by decrements to an ultimate rate of 4.70 percent in 2063 and later. The UAAL is being amortized based on a level dollar, 15-year closed period. The remaining amortization period at December 31, 2009 was 14 years.

NOTE 11 DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The plan is available to all employees until termination, retirement, death or unforeseeable emergency. The assets of the plan are held for the exclusive benefit of the plan participants and their beneficiaries, and the assets shall not be diverted for any other purpose. Each participant directs the investments in his/her respective accounts, and the Town has no liability for any losses that may be incurred.

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Town participates in state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Town is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

The Town is a member of the Delaware Municipal Electric Corporation ("DEMEC"). DEMEC is a public corporation constituted as a joint action agency and a wholesale electric utility. DEMEC was established in 1979 and represents nine municipal electric distribution utilities located in the State of Delaware. DEMEC provides full requirements wholesale electric power supply service to seven of the nine members, including the Town, through the operation of owned generation assets and various contractual wholesale supply contracts with external parties.

The Town purchases 100 percent of its electric supply requirements from DEMEC under a full requirements service contract that became effective June 1, 2004 and which will remain in effect unless terminated upon one year's written notice by either party. The obligation of the Town to purchase and pay for full requirements service, including its allocated costs under any then current forward contract for capacity and energy between DEMEC and a third party in effect as of the date of notice of termination, shall survive the termination of this agreement.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 COMMITMENTS AND CONTINGENCIES (cont'd)

The Town has entered into a separate power sales agreement effective May 1, 2001 to purchase an interest in the capacity produced by Unit No. 1 of the Warrant F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. The Town is entitled to a percentage of all power supply and ancillary products generated from the existing nominal 45 MW natural gas-fired combustion turbine generator for the useful life of the facility.

Under the terms of the various agreements, DEMEC is authorized to act as agent for the Town in all matters relating to the acquisition and delivery of its wholesale power supply and management of energy cost risk on behalf of the Town in the deregulated energy markets.

The Town is actively engaged in the following projects which are not under formal construction contracts:

<u>Project Name</u>	<u>Estimated Cost</u>	<u>Total Expended at 12/31/2009</u>
Water Distribution System Project	\$ 3,768,000	\$ 891,251
Waste Water System Project	5,975,000	107,220
Lighting Energy Project	<u>50,000</u>	<u>21,255</u>
	<u>\$ 9,793,000</u>	<u>\$ 1,019,726</u>

An additional \$353,810 of construction-in-progress that was not under a formal construction commitment or placed in service as of December 31, 2009 has been reflected in the accompanying financial statements.

NOTE 13 RISK MANAGEMENT

The Town maintains commercial insurance coverage for risk of losses relating to general, automotive, police professional, public officials and crime. There has been no significant change in coverage, and there have been no losses above insurance limits during the past year.

NOTE 14 ADVANCE PAYMENTS

The Town received an advance payment of impact fees totaling \$931,241 in the General Fund. As of December 31, 2009, only an amount totaling \$129,012 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$802,229 has been classified as deferred revenue and will be recognized as revenue over time as the Town is able to establish an enforceable legal claim to these resources.

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 STIMULUS FUNDING PROJECT RECEIPTS AND EXPENDITURES

Revenue Recognized Based on Eligible Project Expenditures	\$ 1,003,471
Revenues Received and Recognized	<u>(5,000)</u>
Revenues Due to Town of Smyrna at 12/31/2009	<u>\$ 998,471</u>
Water Distribution System Project Expenditures	\$ 891,251
Waste Water System Project Expenditures	107,220
Energy Lighting Federal Eligible Project Expenditures	<u>5,000</u>
Total Eligible Project Expenditures at 12/31/2009	<u>\$ 1,003,471</u>
Energy Grant Revenues Received but Deferred	<u>\$ 45,000</u>

NOTE 16 SUBSEQUENT EVENTS

The Town Council, at its meeting on May 18, 2009, passed a resolution authorizing the Town to borrow up to the total sum of \$6,008,000 from the Delaware Water Pollution Control Revolving Fund to finance a number of municipal projects to improve, upgrade and expand the Town of Smyrna wastewater system. The Town closed on this loan in March 2010 for an amount totaling \$5,975,000.

The Town Council, at its meeting on March 1, 2010, passed a resolution authorizing the borrowing of not more than \$1,000,000 from a line of credit to assist in providing adequate cash reserves to facilitate the processing and receipt of reimbursements for infrastructure project expenditures covered by loans or grants from the Delaware Office of Drinking Water, Delaware Department of Natural Resources and Environmental Control, Delaware Department of Transportation and any loans or grants awarded to the Town from a state or federal program which involves a reimbursement provision.

The Town has evaluated all subsequent events through May 11, 2010, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF SMYRNA, DELAWARE

SCHEDULE OF FUNDING PROGRESS - PENSION PLANS

REQUIRED SUPPLEMENTARY INFORMATION

	(1)	(2)	(3)	(4)	(5)	(6)
Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Unfunded (assets in excess of) Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded (assets in excess of) Accrued Liability as a % of Payroll (4)/(5)
<b>POLICE</b>						
1/1/04	\$2,125,582	\$2,979,009	71.35%	\$ 853,427	\$ 850,731	100.32%
1/1/05	2,470,563	4,283,237	57.68%	1,812,674	888,480	204.02%
1/1/06	2,798,043	4,781,778	58.51%	1,983,735	1,033,220	191.99%
1/1/07	3,302,971	5,218,074	63.29%	1,915,103	1,051,536	182.12%
1/1/08	3,760,111	5,726,593	65.66%	1,966,482	1,154,660	170.31%
1/1/09	3,530,825	6,325,849	55.82%	2,795,024	1,301,300	214.79%
<b>FULL-TIME EMPLOYEE</b>						
1/1/04	\$2,053,994	\$2,626,331	78.21%	\$ 572,337	\$1,319,652	43.37%
1/1/05	2,415,258	2,807,982	86.01%	392,724	1,495,680	26.26%
1/1/06	2,730,679	3,846,596	70.99%	1,115,917	1,699,532	65.66%
1/1/07	3,341,855	4,477,833	74.63%	1,135,978	2,005,968	56.63%
1/1/08	3,954,617	5,218,240	75.78%	1,263,623	2,185,008	57.84%
1/1/09	3,590,199	5,896,221	60.89%	2,306,022	2,243,955	102.77%

Effective for the year beginning January 1, 2004, actuarial valuations were calculated using the entry age normal actuarial cost method. Prior year actuarial valuations were calculated using the frozen age entry actuarial cost method.

The above information regarding the Police and Full-time Employee Pension Funds was taken from Actuarial Valuations presented by Milliman, USA Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA.

TOWN OF SMYRNA, DELAWARE

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLANS

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended	Employer Contributions			
	Police Pension Trust Fund		Employee Pension Trust Fund	
	Annual Required Contribution	Percent Contributed	Annual Required Contribution	Percent Contributed
12/31/2009	\$ 469,209	100.17%	\$ 542,282	100.16%
12/31/2008	433,209	100.00%	493,464	100.00%
12/31/2007	434,667	106.82%	415,674	108.09%
12/31/2006	355,321	91.70%	238,958	150.40%
12/31/2005	363,687	95.10%	235,818	122.60%
12/31/2004	216,631	167.20%	149,474	193.00%

POST-EMPLOYMENT HEALTH CARE BENEFITS

SCHEDULE OF FUNDING PROGRESS - CITY EMPLOYEES AND POLICE

REQUIRED SUPPLEMENTARY INFORMATION

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Full-time City Employees	1/1/2009	\$ -	\$2,015,000	\$2,015,000	0.00%	\$2,244,000	89.80%
Police	1/1/2009	-	3,648,000	3,648,000	0.00%	1,301,000	280.40%

POST-EMPLOYMENT HEALTH CARE BENEFITS

SCHEDULE OF ANNUAL EMPLOYER COST - CIT EMPLOYEES AND POLICE

	Actuarial Valuation Date	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Full-time City Employees	1/1/2009	\$ 355,000	5.10%	\$ 337,000
Police	1/1/2009	555,000	9.50%	502,000

**COMBINING NONMAJOR FUND STATEMENTS**

TOWN OF SMYRNA  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2009

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 10,663	\$ 1,790	\$ 36,042	\$ 11,260	\$ 59,755
Investments	<u>262,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,774</u>
<b>TOTAL ASSETS</b>	<u>\$ 262,774</u>	<u>\$ 10,663</u>	<u>\$ 1,790</u>	<u>\$ 36,042</u>	<u>\$ 11,260</u>	<u>\$ 322,529</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES:</b>						
Reserved for:						
Police expenditures	-	10,663	1,790	36,042	11,260	59,755
Public works expenditures	<u>262,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,774</u>
<b>TOTAL FUND BALANCES</b>	<u>262,774</u>	<u>10,663</u>	<u>1,790</u>	<u>36,042</u>	<u>11,260</u>	<u>322,529</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 262,774</u>	<u>\$ 10,663</u>	<u>\$ 1,790</u>	<u>\$ 36,042</u>	<u>\$ 11,260</u>	<u>\$ 322,529</u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Totals
<b>REVENUES</b>						
Intergovernmental	\$ 113,603	\$ 8,625	\$ 5,466	\$ 19,892	\$ 355	\$ 147,941
Investment income	1,229	-	-	-	-	1,229
<b>TOTAL REVENUES</b>	<u>114,832</u>	<u>8,625</u>	<u>5,466</u>	<u>19,892</u>	<u>355</u>	<u>149,170</u>
<b>EXPENDITURES</b>						
Current:						
Public safety - police	-	5,836	6,688	11,803	9,692	34,019
Public works	2,522	-	-	-	-	2,522
<b>TOTAL EXPENDITURES</b>	<u>2,522</u>	<u>5,836</u>	<u>6,688</u>	<u>11,803</u>	<u>9,692</u>	<u>36,541</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>112,310</u>	<u>2,789</u>	<u>(1,222)</u>	<u>8,089</u>	<u>(9,337)</u>	<u>112,629</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	2,324	-	-	-	-	2,324
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,324</u>
<b>NET CHANGE IN FUND BALANCES</b>	114,634	2,789	(1,222)	8,089	(9,337)	114,953
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>148,140</u>	<u>7,874</u>	<u>3,012</u>	<u>27,953</u>	<u>20,597</u>	<u>207,576</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 262,774</u>	<u>\$ 10,663</u>	<u>\$ 1,790</u>	<u>\$ 36,042</u>	<u>\$ 11,260</u>	<u>\$ 322,529</u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**  
**DECEMBER 31, 2009**  
**(With Summarized Comparative Data for December 31, 2008)**

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			2009	2008
<b>ASSETS</b>				
Cash and cash equivalents	\$ 81,971	\$ 93,891	\$ 175,862	\$ 116,768
Investments	1,895,278	2,669,339	4,564,617	3,156,931
Insurance contracts	<u>1,915,160</u>	<u>1,406,757</u>	<u>3,321,917</u>	<u>3,165,268</u>
<b>TOTAL ASSETS</b>	<u><u>\$3,892,409</u></u>	<u><u>\$4,169,987</u></u>	<u><u>\$8,062,396</u></u>	<u><u>6,438,967</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>	\$ 4,653	\$ 7,009	\$ 11,662	\$ -
<b>NET ASSETS</b>				
Assets held in trust for employee pension benefits	<u>3,887,756</u>	<u>4,162,978</u>	<u>8,050,734</u>	<u>6,438,967</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$3,892,409</u></u>	<u><u>\$4,169,987</u></u>	<u><u>\$8,062,396</u></u>	<u><u>\$6,438,967</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(With Summarized Comparative Data for the Year Ended December 31, 2008)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			2009	2008
ADDITIONS AND INVESTMENT LOSSES				
Contributions:				
Employer contribution	\$ 393,700	\$ 543,128	\$ 936,828	\$ 836,785
State aid - police	<u>76,292</u>	<u>-</u>	<u>76,292</u>	<u>89,888</u>
Total Contributions	<u>469,992</u>	<u>543,128</u>	<u>1,013,120</u>	<u>926,673</u>
Investment income:				
Interest and dividends	129,399	133,164	262,563	290,588
Net (depreciation) appreciation in fair value of investments	<u>289,305</u>	<u>386,001</u>	<u>675,306</u>	<u>(1,591,932)</u>
Total Investment Income (loss)	<u>418,704</u>	<u>519,165</u>	<u>937,869</u>	<u>(1,301,344)</u>
Less investment expense	<u>46,925</u>	<u>41,380</u>	<u>88,305</u>	<u>80,893</u>
Net Investment Income (loss)	<u>371,779</u>	<u>477,785</u>	<u>849,564</u>	<u>(1,382,237)</u>
TOTAL ADDITIONS AND INVESTMENT LOSSES	<u>841,771</u>	<u>1,020,913</u>	<u>1,862,684</u>	<u>(455,564)</u>
DEDUCTIONS				
Benefits paid	137,315	111,779	249,094	215,797
Administrative expenses	<u>865</u>	<u>958</u>	<u>1,823</u>	<u>6</u>
TOTAL DEDUCTIONS	<u>138,180</u>	<u>112,737</u>	<u>250,917</u>	<u>215,803</u>
CHANGE IN NET ASSETS	703,591	908,176	1,611,767	(671,367)
NET ASSETS, BEGINNING OF YEAR	<u>3,184,165</u>	<u>3,254,802</u>	<u>6,438,967</u>	<u>7,110,334</u>
NET ASSETS, END OF YEAR	<u>\$3,887,756</u>	<u>\$4,162,978</u>	<u>\$ 8,050,734</u>	<u>\$ 6,438,967</u>

The accompanying notes are an integral part of these financial statements.

## 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.

### Contents

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

- Net Assets
- Changes in Net Assets
- Fund Balances of Governmental Funds
- Changes in Governmental Fund Balances

#### **Revenue Capacity**

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

- Real Estate Tax Revenues by Source
- Assessed Value and Estimated Actual Value of Taxable Property
- Property Tax rates - All Overlapping Governments
- Principal Taxpayers
- Property tax Levies and Collections

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Direct and Overlapping Governmental Activities Debt
- Legal Debt Margin Information

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

- Principal Employers Inside Town Limits and Surrounding Municipalities
- Demographic and Economic Statistics
- Full-Time Equivalent (FTE) Employees

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

- Operational Indicators by Function
- Capital Asset Information

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB 34 in fiscal year 2004; schedules presenting entity-wide information include information beginning in that year.

**TOWN OF SMYRNA**

**NET ASSETS**

Last six fiscal years ending December 31, 2009

(Unaudited)

Accrual basis of accounting

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
<b>Governmental Activities</b>						
Invested in capital assets, net of related debt	\$ 17,305,604	\$ 16,572,941	\$ 15,557,668	\$ 6,728,354	\$ 6,767,901	\$ 5,423,723
Restricted for police	59,755	59,436	53,776	47,285	58,873	48,312
Restricted for public works	262,774	148,140	210,250	171,833	242,887	554,879
Restricted for capital projects	3,891,067	3,987,233	4,105,139	3,169,902	2,906,174	3,694,707
Unrestricted (Deficit)	(475,766)	1,126,660	268,091	432,887	443,283	2,615,541
Total governmental activities - net assets	\$ 21,043,434	\$ 21,894,410	\$ 20,194,924	\$ 10,550,261	\$ 10,419,118	\$ 12,337,162
<b>Business-type Activities</b>						
Invested in capital assets, net of related debt	\$ 22,173,690	\$ 19,989,271	\$ 18,048,736	\$ 9,897,663	\$ 7,542,931	\$ 4,925,354
Restricted for capital projects	848,290	-	-	-	-	-
Unrestricted	1,728,246	2,284,157	2,967,735	1,922,016	1,105,734	1,488,895
Total business-type activities - net assets	\$ 24,750,226	\$ 22,273,428	\$ 21,016,471	\$ 11,819,679	\$ 8,648,665	\$ 6,414,249
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 39,479,294	\$ 36,562,212	\$ 33,606,404	\$ 16,626,017	\$ 14,310,832	\$ 10,349,077
Restricted for police	59,755	59,436	53,776	47,285	58,873	48,312
Restricted for public works	262,774	148,140	210,250	171,833	242,887	554,879
Restricted for capital projects	4,739,357	3,987,233	4,105,139	3,169,902	2,906,174	3,694,707
Unrestricted	1,252,480	3,410,817	3,235,826	2,354,903	1,549,017	4,104,436
Total primary government	\$ 45,793,660	\$ 44,167,838	\$ 41,211,395	\$ 22,369,940	\$ 19,067,783	\$ 18,751,411

Note: 2000-2003 information not available

Decrease in net assets are due to many factors within the Town that are explained in the MD&A.

Source: Town financial reports

**TOWN OF SMYRNA**

**CHANGES IN NET ASSETS**

Last six fiscal years ending December 31, 2009

(Unaudited)

Accrual basis of accounting

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
<b>Expenses</b>						
Governmental activities						
General government	\$ 991,556	\$ 541,804	\$ 759,203	\$ 857,943	\$ 1,484,176	\$ 1,646,354
Public safety	3,900,646	3,347,620	3,038,754	3,163,053	3,044,863	2,659,479
Public works	2,396,831	2,686,125	2,463,952	1,723,522	1,294,100	1,233,417
Planning and inspection	674,914	797,144	836,185	753,951	563,118	652,145
Library	290,558	272,447	283,318	381,555	364,013	211,177
Culture and recreation	308,638	356,473	301,762	269,896	284,864	222,144
Business park	11,370	13,325	12,805	13,906	42,994	-
Neighborhood housing rehabilitation	1,592	-	6,895	50,106	-	-
Interest on long-term debt	147,638	96,271	-	-	-	-
Total governmental activities	<u>8,723,743</u>	<u>8,111,209</u>	<u>7,702,874</u>	<u>7,213,932</u>	<u>7,078,128</u>	<u>6,624,716</u>
Business-type activities						
Electric	11,505,781	11,429,814	10,582,868	9,778,074	8,304,862	5,009,218
Water/Sewer	2,687,910	2,743,058	2,499,947	2,135,690	2,085,121	1,616,730
Total business-type activities	<u>14,193,691</u>	<u>14,172,872</u>	<u>13,082,815</u>	<u>11,913,764</u>	<u>10,389,983</u>	<u>6,625,948</u>
Total primary government expenses	<u>\$ 22,917,434</u>	<u>\$ 22,284,081</u>	<u>\$ 20,785,689</u>	<u>\$ 19,127,696</u>	<u>\$ 17,468,111</u>	<u>\$ 13,250,664</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services						
General government	\$ 495,144	\$ 670,436	\$ 843,486	\$ 614,997	\$ 626,031	\$ 578,420
Public safety	98,743	140,480	104,268	129,169	140,784	96,920
Public works	943,340	890,563	981,985	751,504	573,968	590,672
Planning and inspection	507,841	564,419	657,992	531,552	446,085	523,549
Library	64,292	51,747	44,803	26,867	29,299	29,702
Operating grants and contributions	400,186	519,984	554,430	558,849	415,450	344,674
Capital grants and contributions	1,145,990	852,537	851,855	48,277	100,000	267,237
Total governmental activities	<u>3,655,536</u>	<u>3,690,166</u>	<u>4,038,819</u>	<u>2,661,215</u>	<u>2,331,617</u>	<u>2,431,174</u>
Business-type activities:						
Charges for services						
Electric	13,213,378	13,125,246	12,392,787	12,584,841	9,693,440	7,853,637
Water/Sewer	3,056,770	3,126,298	2,867,186	2,754,992	2,592,480	2,542,453
Capital grants and contributions	1,657,139	1,404,042	2,267,173	1,245,688	230,715	-
Total business-type activities	<u>17,927,287</u>	<u>17,655,586</u>	<u>17,527,146</u>	<u>16,585,521</u>	<u>12,516,635</u>	<u>10,396,090</u>
Total primary government program revenues	<u>\$ 21,582,823</u>	<u>\$ 21,345,752</u>	<u>\$ 21,565,965</u>	<u>\$ 19,246,736</u>	<u>\$ 14,848,252</u>	<u>\$ 12,827,264</u>

Note: 2000-2002 information not available  
 Fluctuations in net assets are due to many factors within the Town that are explained in the MD&A.  
 Source: Town financial reports

Continued on next page.

**TOWN OF SMYRNA**  
**CHANGES IN NET ASSETS**  
*Last six fiscal years ending December 31, 2009*  
*(Unaudited)*  
*Accrual basis of accounting*  
*(cont'd)*

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
<b>Net (expense)/revenue</b>						
Governmental activities	\$ (5,068,207)	\$ (4,421,043)	\$ (3,664,055)	\$ (4,552,717)	\$ (4,746,511)	\$ (4,193,542)
Business-type activities	3,733,596	3,482,714	4,444,331	4,671,757	2,126,652	3,770,142
Total primary government net expense	<u>\$ (1,334,611)</u>	<u>\$ (938,329)</u>	<u>\$ 780,276</u>	<u>\$ 119,040</u>	<u>\$ (2,619,859)</u>	<u>\$ (423,400)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities						
Real estate taxes	\$ 1,933,324	\$ 1,841,492	\$ 1,201,024	\$ 1,092,855	\$ 1,042,204	\$ 829,917
Real estate transfer taxes	669,914	1,051,590	962,133	1,534,963	1,564,109	1,492,214
Franchise fees	132,249	125,903	116,123	105,001	98,004	93,591
Investment earnings	56,471	196,127	303,640	222,231	83,072	48,845
Miscellaneous income	167,996	75,126	42,196	44,257	36,009	28,839
Net (loss) gain on disposal of capital assets	-	602,138	-	3,382	5,069	93,560
Transfers	1,257,277	2,228,153	2,474,694	1,628,923	-	4,653,169
Total governmental activities	<u>4,217,231</u>	<u>6,120,529</u>	<u>5,099,810</u>	<u>4,631,612</u>	<u>2,828,467</u>	<u>7,240,135</u>
Business-type activities						
Investment earnings	479	2,396	1,805	2,949	104,944	47,515
Net gain on sale of capital assets	-	-	-	5,837	2,820	-
Transfers	(1,257,277)	(2,228,153)	(2,474,694)	(1,628,923)	-	(4,653,169)
Total business-type activities	<u>(1,256,798)</u>	<u>(2,225,757)</u>	<u>(2,472,889)</u>	<u>(1,620,137)</u>	<u>107,764</u>	<u>(4,605,654)</u>
Total primary government	<u>\$ 2,960,433</u>	<u>\$ 3,894,772</u>	<u>\$ 2,626,921</u>	<u>\$ 3,011,475</u>	<u>\$ 2,936,231</u>	<u>\$ 2,634,481</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ (850,976)	\$ 1,699,486	\$ 1,435,755	\$ 78,895	\$ (1,918,044)	\$ 3,046,593
Business-type activities	2,476,798	1,256,957	1,971,442	3,051,620	2,234,416	(835,512)
Total primary government	<u>\$ 1,625,822</u>	<u>\$ 2,956,443</u>	<u>\$ 3,407,197</u>	<u>\$ 3,130,515</u>	<u>\$ 316,372</u>	<u>\$ 2,211,081</u>

Note: 2000-2003 information not available  
 Fluctuations in net assets are due to many factors within the Town that are explained in the MD&A.  
 Source: Town financial reports

**TOWN OF SMYRNA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
*Last ten fiscal years ending December 31, 2009*  
*(Unaudited)*  
*Modified accrual basis of accounting*

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>General Fund</b>										
Reserved	\$ 444,959	\$ 322,647	\$ 45,080	\$ 45,080	\$ 45,080	\$ 45,080	\$ 45,080	\$5,200,000	\$1,745,036	\$1,625,036
Unreserved	444,959	322,647	518,895	842,635	727,909	2,982,631	753,438	2,642,981	5,367,615	4,318,141
Total general fund	\$ 444,959	\$ 322,647	\$ 563,975	\$ 887,715	\$ 772,989	\$3,027,711	\$ 798,518	\$7,842,981	\$7,112,651	\$5,943,177
<b>All other governmental funds</b>										
Reserved, reported in:										
Capital reserve fund	\$3,891,067	\$7,343,233	\$4,105,139	\$3,169,902	\$2,906,174	\$3,694,707	\$ -	\$ -	\$ -	\$ -
Nonmajor funds	322,529	207,576	264,026	219,118	301,760	603,191	-	-	-	-
Special revenue funds	-	-	-	-	-	-	4,331,835	441,860	589,929	480,845
Total all other governmental funds	\$4,213,596	\$7,550,809	\$4,369,165	\$3,389,020	\$3,207,934	\$4,297,898	\$4,331,835	\$ 441,860	\$ 589,929	\$ 480,845
Total governmental fund balances	\$4,658,555	\$7,873,456	\$4,933,140	\$4,276,735	\$3,980,923	\$7,325,609	\$5,130,353	\$8,284,841	\$7,702,580	\$6,424,022

Large increase in fund balances during the 2008 and 2004 years are due to new loans.  
Source: Town financial reports

**TOWN OF SMYRNA**  
**CHANGES IN GOVERNMENTAL FUND BALANCES**  
*Last ten fiscal years ending December 31, 2009*  
*(Unaudited)*  
*Modified accrual basis of accounting*

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Revenues</b>										
Property taxes	\$ 1,900,363	\$ 1,743,747	\$ 1,138,746	\$ 1,157,148	\$ 933,914	\$ 805,169	\$ 709,448	\$ 686,953	\$ 466,388	\$ 452,074
Transfer taxes	669,914	1,051,590	962,133	1,534,963	1,564,109	1,492,214	694,632	372,471	253,407	153,727
Special assessment/impact fees	470,676	624,061	843,486	614,997	573,968	590,672	881,914	363,157	279,325	127,616
Charges for services	1,070,184	945,717	929,401	774,234	678,678	566,667	586,421	507,591	403,646	347,419
Intergovernmental	1,547,005	840,427	621,854	648,458	503,835	470,028	223,926	531,014	583,435	500,986
Licenses, fees and permits	421,777	564,434	656,911	528,649	446,085	527,287	1,050,762	441,977	357,757	104,982
Fines and forfeits	62,553	85,312	76,161	86,770	86,096	82,435	95,886	100,442	173,453	107,721
Rentals	-	-	-	-	-	22,500	60,000	-	-	-
Franchise fees	132,249	125,903	116,124	105,001	98,004	93,590	98,579	83,757	81,819	72,770
Investment income	56,471	196,127	303,640	222,231	83,072	48,845	60,626	45,776	112,832	218,981
Miscellaneous	183,538	84,212	108,219	47,160	38,050	28,839	6,990	47,964	75,110	75,696
Total revenues	6,514,730	6,261,530	5,756,675	5,719,611	5,005,806	4,728,246	4,469,184	3,181,102	2,787,172	2,161,972
<b>Expenditures</b>										
General government	609,219	717,819	569,885	792,141	1,624,741	1,483,809	1,182,448	1,224,142	1,036,266	829,137
Public safety	3,253,942	3,474,587	3,204,640	3,124,268	3,131,211	2,486,617	2,027,271	1,767,416	1,471,527	1,285,373
Public works	1,661,782	1,894,852	1,833,994	1,550,562	1,144,794	1,021,402	829,339	989,302	799,258	907,620
Planning and inspection	631,693	790,029	838,069	743,044	559,968	500,380	368,277	-	-	-
Library	261,747	256,168	212,443	233,489	214,588	181,162	153,736	224,880	116,232	89,529
Culture and recreation	276,030	351,120	306,941	256,940	288,112	206,747	77,653	111,229	121,006	118,423
Business park	11,370	13,325	12,805	221,936	42,994	-	-	-	-	-
Neighborhood housing rehabilitation	1,592	-	6,895	50,106	-	-	-	-	-	-
Debt service:										
Principal	106,904	58,921	-	-	-	-	-	-	-	-
Interest	147,877	89,851	-	-	-	-	-	-	-	-
Capital outlays	4,047,151	1,929,437	592,002	135,866	1,356,635	1,526,497	2,096,175	54,684	183,555	397,401
Total expenditures	11,009,307	9,576,109	7,577,674	7,108,352	8,363,043	7,406,614	6,734,899	4,371,653	3,727,844	3,627,483
Excess of revenues over (under) expenditures	(4,494,577)	(3,314,579)	(1,820,999)	(1,388,741)	(3,357,237)	(2,678,368)	(2,265,715)	(1,190,551)	(940,672)	(1,465,511)
<b>Other financing sources (uses)</b>										
Proceeds from sale of capital assets	-	624,367	2,710	3,382	12,551	93,560	268,830	-	-	-
Loan proceeds	-	3,356,000	-	-	-	-	-	-	-	-
Refund of prior year expenditures	22,399	46,375	-	-	-	-	-	-	-	-
Transfers in	2,378,177	3,575,558	2,812,575	1,684,600	506,885	5,754,847	-	1,768,812	2,219,230	2,144,316
Transfers out	(1,120,900)	(1,347,405)	(337,881)	(55,677)	(506,885)	(1,101,678)	-	(292,477)	-	-
Total other financing sources (uses)	1,279,676	6,254,895	2,477,404	1,632,305	12,551	4,746,729	268,830	1,476,335	2,219,230	2,144,316
Net change in fund balances	\$(3,214,901)	\$ 2,940,316	\$ 656,405	\$ 243,564	\$(3,344,686)	\$ 2,068,361	\$(1,996,885)	\$ 285,784	\$ 1,278,558	\$ 678,805
Debt service as a percentage of noncapital expenditures	4%	2%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Town financial reports

**TOWN OF SMYRNA****REAL ESTATE TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS***Last ten fiscal years ending December 31, 2009**(Unaudited)**Modified accrual basis of accounting*

Fiscal Year	Property Tax	Transfer Tax	Total
2009	\$ 1,900,363	\$ 669,914	\$ 2,570,277
2008	1,743,747	1,051,590	2,795,337
2007	1,138,746	962,133	2,100,879
2006	1,157,148	1,534,963	2,692,111
2005	933,914	1,564,109	2,498,023
2004	805,169	1,492,214	2,297,383
2003	709,448	694,632	1,404,080
2002	686,953	372,471	1,059,424
2001	466,388	253,407	719,795
2000	452,074	153,727	605,801

**Notes**

- 1) Property tax, tax rate of .2526 of 100% assessed value net of discounts and penalties.
- 2) Transfer taxes equal 1.5% of the real property sales value.

Source: Town financial reports

**TOWN OF SMYRNA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL**  
**VALUE OF TAXABLE PROPERTY**  
*Last ten fiscal years ending December 31, 2009*  
*(Unaudited)*

Fiscal Year	Real Property				
	Total Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value
2009	\$ 927,630,793	117,953,900	\$ 809,676,893	0.25260	*
2008	839,592,693	122,564,400	717,028,293	0.25260	*
2007	776,456,700	117,085,500	659,371,200	0.17260	*
2006	742,774,544	60,655,900	682,118,644	0.17260	*
2005	329,829,200	51,000	329,778,200	0.31000	*
2004	*	*	278,735,900	0.31000	*
2003	*	*	278,514,180	0.31000	*
2002	*	*	265,251,600	0.31000	*
2001	*	*	253,707,000	0.22000	*
2000	*	*	246,836,000	0.22000	*

\* = Information is not available.

2003 Total taxable assessed value has been estimated since data was unavailable. Reassessment took place in 2006.

\* Property in the Town is not assessed annually, therefore the estimated actual value is not available. Source: Town of Smyrna Assessment Office

**TOWN OF SMYRNA**

**PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (Per \$100 of Assessed Value)**

*Last ten fiscal years ending December 31, 2009  
(Unaudited)*

Fiscal Year	Overlapping Governments				Total Direct & Overlapping Rates
	Town of Smyrna	Kent County	New Castle County	Smyrna School District	
2009	0.25260	0.25000	0.56140	1.18030	2.24430
2008	0.25260	0.25000	0.56140	1.07800	2.14200
2007	0.17260	0.25000	0.47780	1.06300	1.96340
2006	0.17260	0.25000	0.45500	1.02800	1.90560
2005	0.31000	0.25000	0.45500	1.01300	2.02800
2004	0.31000	0.25000	0.45500	1.09200	2.10700
2003	0.31000	0.25000	0.45500	1.02600	2.04100
2002	0.31000	0.25000	0.45500	1.10800	2.12300
2001	0.22000	0.25000	0.45500	0.97900	1.90400
2000	0.22000	0.25000	0.00000	0.65700	1.12700

Less than one quarter of the Town's boundaries are located in New Castle County.  
Source: Town and county financial reports

**TOWN OF SMYRNA**  
**PRINCIPAL TAXPAYERS**  
*Current Year and Nine Years Ago*  
*(Unaudited)*

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of total taxable assessed valuation	Taxable Assessed Value	Rank	Percentage of total taxable assessed valuation
Walmart Stores East, LP	\$ 49,683,100	1	6.14%	*	*	*
Worthington Properties	24,701,000	2	3.05%	*	*	*
Co, Liborio III, LP	22,780,400	3	2.81%	*	*	*
Smyrna Professional Properties	19,341,000	4	2.39%	*	*	*
DLM, LLC	17,279,800	5	2.13%	*	*	*
Liborio 3, LLC.	16,805,200	6	2.08%	*	*	*
Smyrna Two, LLC	11,808,800	7	1.46%	*	*	*
Glenwood Associates, LLC	11,720,300	8	1.45%	*	*	*
Eagle View Associates	7,492,500	9	0.93%	*	*	*
Co, Beiser Group LLC Co.	6,846,000	10	0.85%	*	*	*
<b>Total</b>	<b>\$ 188,458,100</b>		<b>23.28%</b>			

Source: Town of Smyrna Assessment Office

\* Information is not available.

**TOWN OF SMYRNA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last ten fiscal years ending December 31, 2009*  
*(Unaudited)*

Fiscal Year	Total Levy	Collected Within Fiscal Year of the Levy	Collected in Subsequent Years	Total (1)	Percentage of Levy
2009	\$ 2,045,244	\$ 1,900,363	\$ 34,745	\$ 1,935,108	94.62%
2008	1,816,578	1,794,528	54,972	1,849,500	101.81%
2007	1,141,662	1,134,189	28,726	1,162,915	101.86%
2006	1,126,692	1,121,580	10,108	1,131,688	100.44%
2005	1,022,168	933,914	4,137	938,051	91.77%
2004	864,081	805,169	2,249	807,418	93.44%
2003	863,394	709,448	903	710,351	82.27%
2002	727,317	686,953	1,049	688,002	94.59%
2001	490,751	466,388	*	466,388	95.04%
2000	476,400	452,074	*	452,074	94.89%

(1) Amount is net of discounts and penalties.

\* Information not available

2003 Total levy has been estimated since data was unavailable.

Source: Town financial reports

**TOWN OF SMYRNA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last ten fiscal years ending December 31, 2009*  
*(Unaudited)*

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Per Capita (1)
	Loans	Note	Loans	Note		
2009	\$ 3,190,175	\$ -	\$ 7,188,123	\$ -	\$ 10,378,298	\$ 940
2008	3,297,079	-	7,494,976	-	10,792,055	1,034
2007	-	-	7,790,770	-	7,790,770	781
2006	-	-	2,539,381	4,644,000	7,183,381	755
2005	-	-	1,655,139	2,000,000	3,655,139	406
2004	-	-	1,728,212	-	1,728,212	206
2003	-	-	75,000	-	75,000	10
2002	-	-	-	-	-	-
2001	-	-	-	-	-	-
2000	-	-	-	-	-	-

(1) See the Schedule of Demographic and Economic Statistics for population data.

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Source: Town financial reports

**TOWN OF SMYRNA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
*Last ten fiscal years ending December 31, 2009*  
*(Unaudited)*

Fiscal Year	Loans Payable	Percentage of Loans Payable to Assessed Taxable Value of Property (1)	Per Capita (2)
2009	\$ 3,190,175	0.39%	\$ 289
2008	3,297,079	0.46%	331
2007	-	0.00%	-
2006	-	0.00%	-
2005	-	0.00%	-
2004	-	0.00%	-
2003	-	0.00%	-
2002	-	0.00%	-
2001	-	0.00%	-
2000	-	0.00%	-

(1) See the Schedule of Revenue base for Estimated Actual Taxable Value of property data.

(2) See the Schedule of Demographic and Economic Statistics for population data.

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Source: Town financial reports

**TOWN OF SMYRNA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
*December 31, 2009*  
*(Unaudited)*

	General obligation debt outstanding	Estimated percentage applicable to Town of Smyrna	Estimated share of overlapping debt
Direct Debt			
Loan Payable	\$ 3,190,175		\$ 3,190,175
Total direct debt	<u>3,190,175</u>	100.00%	<u>3,190,175</u>
Overlapping debt (1)			
Kent County	5,654,474	0.62%	35,162
New Castle County	211,798,000	29.00%	61,421,420
Smyrna School District	18,448,055	88.49%	16,324,766
Total overlapping debt	<u>235,900,529</u>		<u>77,781,348</u>
Total direct and overlapping debt	<u>\$ 239,090,704</u>		<u>\$ 80,971,523</u>

Note:

(1) Debt paid from taxes levied by local governments other than the Town.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Smyrna. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

Note: The percentage of overlapping debt applicable is estimated by using the square miles of the Town as compared to the entire county and school enrollment data for the school district.

Source: Town, County and District Financial Reports

**TOWN OF SMYRNA**  
**LEGAL DEBT MARGIN INFORMATION**  
*Last seven fiscal years ending December 31, 2009*  
*(Unaudited - amounts expressed in thousands)*

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Debt limit	\$ 36,435	\$ 32,266	\$ 29,672	\$ 30,695	\$ 14,840	\$ 12,543	\$ 12,533
Total net debt applicable to limit	<u>10,378</u>	<u>10,792</u>	<u>7,791</u>	<u>7,183</u>	<u>3,655</u>	<u>1,728</u>	<u>75</u>
Legal debt margin	<u>\$ 26,057</u>	<u>\$ 21,474</u>	<u>\$ 21,881</u>	<u>\$ 23,512</u>	<u>\$ 11,185</u>	<u>\$ 10,815</u>	<u>\$ 12,458</u>
Total net debt applicable to the limit as a percentage of debt limit	28.48%	33.45%	26.26%	23.40%	24.63%	13.78%	0.60%
Total taxable assessment	\$ 809,677						
Debt limit percentage (1)	<u>4.50%</u>						
Debt limit	36,435						
Outstanding Debt	<u>10,378</u>						
Legal debt margin	<u>\$ 26,057</u>						

The Town only had applicable debt beginning 2003.  
(1) Source: Town Code, Section 13.2.1, Town Financial Reports

**TOWN OF SMYRNA**  
**PRINCIPAL EMPLOYERS INSIDE TOWN LIMITS AND SURROUNDING MUNICIPALITIES**  
*Current Year and Nine Years Ago*  
*(Unaudited)*

Employer	2009			2000		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Dover Air Force Base - Dover	4,397	1	37.04%	*	*	*
Bayhealth - Kent General & Milford - Dover, Milford	2,915	2	24.56%	*	*	*
Capital School District - Dover	1,000	3	8.42%	*	*	*
Dover Downs, Inc. - Dover	975	4	8.21%	*	*	*
Walmart Distribution Center - Smyrna	700	5	5.90%	*	*	*
Delaware Home & Hospital for the Chronically Ill - Smyrna	650	6	5.48%	*	*	*
Smyrna School District - Smyrna	554	7	4.67%	*	*	*
Eagle Group Metal Masters - Clayton	368	8	3.10%	*	*	*
Hanover Foods - Clayton	213	9	1.79%	*	*	*
Town of Smyrna - Smyrna	98	10	0.83%	*	*	*
<b>Total</b>	<b>11,870</b>		<b>100.00%</b>	<b>*</b>		<b>*</b>

\* Information is not available.

Source: Kent Economic Partnership, Inc., 2009 Kent County Major Employers Report, Town Records

**TOWN OF SMYRNA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
*Last ten fiscal years ending December 31, 2009*  
*(Unaudited)*

Fiscal Year	Population of Town (1)	Per Capita Personal Income - Kent County (2)	Unemployment Rate - Kent County (3)	School Enrollment (4)
2009	11,040	\$ 29,578	8.20%	4,657
2008	10,435	29,578	4.70%	4,853
2007	9,975	29,578	3.40%	4,460
2006	9,513	28,854	3.20%	4,230
2005	9,007	28,014	3.50%	3,930
2004	8,402	27,254	3.40%	3,645
2003	7,666	26,246	4.20%	3,311
2002	6,809	25,702	3.90%	3,247
2001	6,678	24,542	3.70%	3,492
2000	6,426	23,766	3.50%	3,349

Data Sources:

- (1) U.S Census Bureau Estimates, Town Planning and Inspections Office
- (2) U.S Bureau of Economic Analysis
- (3) Delaware Department of Labor
- (4) Delaware Department of Education Statistical Data

Note: We have used 2007 per capita personal income information for both 2008 and 2009 since this information is unavailable from data source.

**TOWN OF SMYRNA**  
**FULL-TIME EQUIVALENTS (FTE) EMPLOYEES**  
*Last ten fiscal years ending December 31, 2009*  
*(Unaudited)*

Function/Department	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Government - Administration	14.00	15.00	14.00	13.00	16.00	14.00	11.00	8.00	8.00	10.00
Public Safety - Police	29.00	29.00	29.00	27.00	27.00	28.00	24.00	23.00	23.00	22.00
Public Works	11.00	14.00	12.00	11.00	10.00	9.00	7.00	8.00	8.00	7.00
Planning and Inspection	7.00	7.00	6.00	6.00	5.00	6.00	6.00	4.00	4.00	3.00
Library	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Culture and Recreation - Parks	3.00	3.00	2.00	2.00	2.00	1.00	1.00	-	-	-
<b>General Fund Total</b>	<b>66.00</b>	<b>70.00</b>	<b>65.00</b>	<b>61.00</b>	<b>62.00</b>	<b>60.00</b>	<b>51.00</b>	<b>45.00</b>	<b>44.00</b>	<b>43.00</b>
Public Utilities	9.00	9.00	9.00	8.00	9.00	7.00	7.00	7.00	6.00	5.00
<b>Electric Fund Total</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>8.00</b>	<b>9.00</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>	<b>6.00</b>	<b>5.00</b>
Public Utilities	4.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00
<b>Water and Sewer Fund Total</b>	<b>4.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>
<b>Total Staff</b>	<b>79.00</b>	<b>82.00</b>	<b>77.00</b>	<b>72.00</b>	<b>74.00</b>	<b>71.00</b>	<b>62.00</b>	<b>56.00</b>	<b>54.00</b>	<b>52.00</b>

**TOWN OF SMYRNA**  
**OPERATING INDICATORS BY FUNCTION**  
*Last ten fiscal years ending December 31, 2009*  
*(Unaudited - amounts expressed in thousands)*

Function	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Public Safety</b>										
Calls for service	20,087	22,099	22,755	20,270	19,405	16,025	16,509	18,076	19,361	15,159
Criminal reports written	1,700	1,788	1,545	1,449	1,543	1,305	1,200	1,517	1,572	1,559
Traffic arrests	3,286	4,955	3,237	2,751	2,130	2,555	2,762	3,630	4,632	2,823
<b>Planning and Inspection</b>										
Total fees collected for construction (1)	1,377,629	1,766,180	2,402,583	1,439,840	1,462,018	*	*	*	*	*
Construction inspections (2)	1,469	1,751	1,861	1,741	2,293	*	*	*	*	*
Building permits issued	582	610	581	589	687	*	*	*	*	*
<b>Smyrna Public Library</b>										
Number of registered borrowers	9,376	9,376	7,335	14,525	11,231	7,878	7,072	5,704	5,086	5,662
Attendance per year	82,127	78,895	69,731	61,071	53,187	50,996	33,018	18,734	12,137	19,901
Actual circulation	58,934	38,415	38,468	47,474	32,165	30,299	24,539	24,108	17,188	25,356
Number of books	22,149	20,246	22,132	22,838	21,486	17,000	16,000	15,467	15,303	15,652
<b>Water</b>										
Gallons billed	283,572,474	273,431,231	256,052,000	264,147,000	229,941,000	*	234,571,000	225,910,000	230,900,000	222,413,000
Connections	3,789	3,789	3,789	4,200	3,500	*	3,731	3,416	2,716	*
<b>Electric</b>										
Usage (kwh)	89,128,000	88,591,000	87,693,000	81,690,000	82,611,000	73,610,000	61,280,000	51,300,000	50,922,000	*

Source: Town Records

1) Fees include permit, certificate of occupancy and impact fees.

2) Construction permits are based on the average number of inspections required for each type of construction. The significant reduction in attendance from 2000 to 2001 was due to renovations taking place at the opera house which is next door. The significant reduction in registered borrowers from 2006 to 2007 was due to the library information system getting purged by the state due to nonactivity in member account.

\* Information not available.

**TOWN OF SMYRNA**  
CAPITAL ASSET INFORMATION

<u>TOWN SERVICE BUILDINGS</u>	<u>ACQUISITION DATE</u>
Town of Smyrna Administration Building 27 South Market Street Plaza Smyrna DE, 19977	January, 1976
Town of Smyrna Police Department 325 West Glenwood Avenue Smyrna DE, 19977	January, 1988
Town of Smyrna Public Works Department 220 Artisan Drive Smyrna DE, 19977	September, 2009
Town of Smyrna Public Library 107 South Main Street Smyrna DE, 19977	January, 1870

Source: Town records

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**SINGLE AUDIT**

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

May 11, 2010

To the Honorable Mayor and Town Council  
Town of Smyrna  
Smyrna, Delaware

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Smyrna, Delaware as of and for the year ended December 31, 2009 which collectively comprise the basic financial statements of the Town of Smyrna, Delaware (the "Town") and have issued our report thereon dated May 11, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Smyrna's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and Town Council  
Town of Smyrna

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Smyrna's financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

We noted other matters that we have reported to management of the Town of Smyrna in a separate letter dated May 11, 2010.

This report is intended solely for the information and use of the Mayor, the Town Council, management, and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.

  
BARBACANE, THORNTON & COMPANY

REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

May 11, 2010

To the Honorable Mayor and Town Council  
Town of Smyrna  
Smyrna, Delaware

Compliance

We have audited the compliance of the Town of Smyrna with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. The Town of Smyrna's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Smyrna's management. Our responsibility is to express an opinion on the Town of Smyrna's compliance based on our audit.

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 Nonprofit 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'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. Our audit does not provide a legal determination of the Town of Smyrna's compliance with those requirements.

In our opinion, the Town of Smyrna complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Town of Smyrna is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Smyrna's internal control over compliance with requirements that could have a direct and material

To the Honorable Mayor and Town Council  
Town of Smyrna

effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the Town of Smyrna's internal control over compliance.

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 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 and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Mayor, the Town Council, management, and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.

  
BARBACANE, THORNTON & COMPANY

**SCHEDULE OF  
FINDINGS AND RECOMMENDATIONS**

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses unqualified opinions on the financial statements of the Town of Smyrna.
2. No significant deficiencies relating to the audit of the financial statements are reported in the "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*."
3. No instances of noncompliance relating to the financial statements of the Town of Smyrna were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the Town of Smyrna expresses an unqualified opinion.
6. The auditee is not considered a low-risk auditee. The dollar threshold for determining a type A program is \$300,000.
7. The programs tested as major programs were:

<u>Program Name</u>	<u>CFDA #</u>
Highway Planning and Construction	20.205
Capitalization Grants for Clean Water State Revolving Funds (DNREC)	66.458
Capitalization Grants for Drinking Water State Revolving Funds (DHSS)	66.468

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**TOWN OF SMYRNA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 01/01/09	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 12/31/09
<b>U.S. DEPARTMENT OF JUSTICE</b>										
Bureau of Justice Assistance	D	16.607	N/A	01/01/09-12/31/09	\$ 2,467	\$ 2,126	\$ -	\$ 2,467	\$ 2,467	\$ 341
Bulletproof Vest Partnership Program										
Office of Community Oriented Policing Services	D	16.710	N/A	07/01/09-06/30/12	4,911	-	-	4,911	4,911	4,911
Public Safety Partnership and Community Policing Grants						2,126	-	7,378	7,378	5,252
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>					994,726	868,098	-	994,726	994,726	126,628
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>										
Passed through Delaware Department of Transportation Highway Planning and Construction*	I	20.205	N/A	01/01/09-12/31/09	5,975,000	-	-	89,346	89,346	89,346
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>										
Passed through Delaware Department of Natural Resources and Environmental Control Capitalization Grants for Clean Water State Revolving Funds*	I	66.458	N/A	01/01/09-12/31/09	3,768,000	-	-	891,251	891,251	891,251
Passed through Delaware Department of Health and Social Services Capitalization Grants for Drinking Water State Revolving Funds*	I	66.468	D-4043 ARRA	01/01/09-12/31/09	50,000	-	-	5,000	5,000	(45,000)
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>					3,818,000	-	-	980,597	980,597	980,597
<b>U.S. DEPARTMENT OF ENERGY</b>										
Energy Efficiency and Conservation Block Grant Program	D	81.128	N/A	10/01/09-02/28/12	3,000	1,072	-	1,072	1,072	-
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>										
Passed through Delaware Emergency Management Agency Citizens Auxiliary Patrol Homeland Security Grant Program	I	97.067	2007-GE- T7-0020	07/01/07-06/30/10	3,000	1,072	-	1,072	1,072	-
<b>TOTAL FEDERAL AWARDS</b>					\$ 921,296	\$ 1,988,773	\$ -	\$ 1,988,773	\$ 1,988,773	\$ 1,067,477

Source Codes:

D - Direct Funding  
I - Indirect Funding

\* Federal award received through the American Recovery and Reinvestment Act.

TOWN OF SMYRNA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

The Town uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE B FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.