

NEW ISSUE – BOOK ENTRY ONLY

\$7,715,000
THE TOWN OF SMYRNA
(KENT AND NEW CASTLE COUNTIES, DELAWARE)
GENERAL OBLIGATION BONDS, SERIES 2011

Dated: Date of delivery
Due: March 1, as shown below
Interest Payable: March 1 and September 1
First Interest Payment Due: September 1, 2011
Denomination: Integral multiples of \$5,000
Form: Registered, book entry only through the facilities of Depository Trust Company
Optional Redemption: Bonds maturing on or after March 1, 2023 are subject to redemption prior to maturity at the option of the Town, in whole or in part, on any date on or after March 1, 2021 at par plus accrued interest as set forth in "THE BONDS – Redemption Provisions" herein.

Security: The Bonds are general obligations of the Town, payable from its tax and other general revenues. The Town's full faith and credit is pledged for the due payment of the Bonds and the interest thereon. There is no limit on the amount of ad valorem taxes that may be raised to pay principal and interest on the Bonds.

Tax Matters: In the opinion of Bond Counsel, interest on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS" herein and interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the Bonds. Under existing statutes, interest on the Bonds is exempt from personal and corporate income tax imposed by The State of Delaware. For a more complete discussion, see "TAX MATTERS" herein.

The Town has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 (b)(3) of the Code. For a more complete discussion, see "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations" herein.

Paying Agent: The Bank of New York Mellon, Woodland Park, New Jersey

Purposes: The proceeds of the Bonds will be used to (i) currently refinance the Town's General Obligation Note, Series 2007A and General Obligation Note, Series 2007B and (ii) pay certain costs of issuance.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

Maturing March 1	Principal Amount	Interest Rate	Yield	CUSIP	Maturing March 1	Principal Amount	Interest Rate	Yield	CUSIP
2012	\$285,000	2.000%	0.900%	832764AU8	2017	\$320,000	2.500%	2.650%	832764AZ7
2013	295,000	2.000	1.200	832764AV6	2018	330,000	2.875	2.950	832764BA1
2014	300,000	2.000	1.600	832764AW4	2019	340,000	3.125	3.200	832764BB9
2015	305,000	2.000	2.100	832764AX2	2020	350,000	3.250	3.400	832764BC7
2016	315,000	2.250	2.400	832764AY0	2021	365,000	3.375	3.550	832764BD5

\$765,000 3.750% Term Bond due March 1, 2023 – Yield 3.850% - CUSIP 832764BE3
\$1,260,000 4.000% Term Bond due March 1, 2026 – Yield 4.100% - CUSIP 832764BF0
\$930,000 4.125% Term Bond due March 1, 2028 – Yield 4.250% - CUSIP 832764BG8
\$1,555,000 4.400% Term Bond due March 1, 2031 – Yield 4.500% - CUSIP 832764BH6

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



This Official Statement has been prepared by The Town of Smyrna, Delaware to provide information on the Bonds. Selected information is presented on this cover page in summary form for the convenience of the user. To make an informed decision regarding the Bonds and the Town, a prospective investor should read this Official Statement in its entirety.

Conditions Affecting Issuance: The Bonds are offered when, as, and if issued subject to, among other conditions, the delivery of the Bonds and the approval of legality by Saul Ewing LLP, Bond Counsel to the Town. Certain legal matters will be passed upon by Hudson, Jones, Jaywork & Fisher, Dover, Delaware, Counsel to the Town. It is expected that the Bonds will be available for delivery in New York, New York through the facilities of the Depository Trust Company, and certain closing documents will be available for delivery in Wilmington, Delaware on or about March 15, 2011.



Dated: March 8, 2011

THE TOWN OF SMYRNA

TOWN COUNCIL

Patricia A. Stombaugh, Mayor

Regina I. Brown, Council Member – District 1

Anthony H. DeFeo, Council Member – At Large

Robert M. Novotny, Council Member – At Large

William C. Raynor, Vice Mayor / Council Member – District 2

Robert L. Riddagh, Secretary / Council Member – At Large

Valerie M. White, Council Member – District 3

SELECTED APPOINTED OFFICIALS

David S. Hugg, III, Town Manager

Gary Stulir, Manager of Accounting and Business Services

Wilbert Bordley, Chief of Police

TOWN SOLICITOR

Hudson, Jones, Jaywork & Fisher
Dover, Delaware

BOND COUNSEL

Saul Ewing LLP
Wilmington, Delaware

PAYING AGENT

The Bank of New York Mellon
Woodland Park, New Jersey

INDEPENDENT AUDITOR

Barbacane, Thornton & Company
Wilmington, Delaware

FINANCIAL ADVISOR

Public Advisory Consultants, Inc.
Owings Mills, Maryland

UNDERWRITER

PNC Capital Markets LLC
Philadelphia, Pennsylvania

No dealer, broker, salesman or other person has been authorized by The Town of Smyrna (the "Town") to give information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the Town and from other sources that are believed to be reliable but neither the Town nor the Underwriter guarantees the accuracy or completeness of information from sources other than the Town.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create an implication that there has been no change in the affairs of the Town since the date hereof.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts(s)) and others at prices lower than the public offering prices stated on the cover hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, WITHOUT PRIOR NOTICE.

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I. The Bonds

Introduction

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others regarding The Town of Smyrna (the “Town”) and its \$7,715,000 General Obligation Bonds, Series 2011 (the “Bonds”).

All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collection, assessed value of property and the financial position of the Town have been taken from official records of the Town.

The material and information contained in this Official Statement have been provided by the Town and the execution and distribution of this Official Statement have been authorized by the Town.

Any questions concerning this Official Statement or the Bonds should be addressed to the Town Manager, The Town of Smyrna, 27 South Market Street Plaza, P.O. Box 307, Smyrna, Delaware 19977. Telephone: (302) 653-9231.

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and laws of the State of Delaware, particularly the provisions of Chapter 176, Laws of Delaware, Volume 74, as amended, Resolutions adopted by the Town Council on September 20, 2010, October 18, 2010 and March 8, 2011, and a public hearing held on October 18, 2010.

The proceeds of the Bonds will be used to (i) refinance the Town’s General Obligation Note, Series 2007A and General Obligation Note, Series 2007B and (ii) pay certain costs of issuance.

Estimated Sources and Uses of Funds

Sources

Par Amount	\$7,715,000.00
Less Net Original Issue Discount	(63,319.25)
Total Sources	<u>\$7,651,680.75</u>

Uses

Retirement of Bank Loans.....	\$7,445,430.40
Costs of Issuance ⁽¹⁾	206,250.35
Total Uses	<u>\$7,651,680.75</u>

⁽¹⁾ Estimate of the Town, including Underwriters’ discount, legal, financial advisory fees, rating fees, paying agent, printing, bond insurance, and miscellaneous expenses.

Sources and Security for Payment of the Bonds

The Bonds will be general obligations of the Town, payable from its tax and other general revenues. The Town's full faith and credit is pledged for the due payment of the Bonds and the interest thereon. There is no limit on the amount of ad valorem taxes that may be raised to pay principal and interest on the Bonds.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser (each a "Beneficial Owner") of each Bond is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all the Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge

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of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed unless the option for pro rata distributions of principal is clearly indicated to DTC at the time the issue is made eligible.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town, or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, the Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered.

THE INFORMATION PROVIDED IMMEDIATELY ABOVE UNDER THIS CAPTION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE TOWN AND THE UNDERWRITER, EITHER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. THE TOWN, THE PAYING AGENT, AND THE UNDERWRITER WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS

THE BONDS

MAINTAINED BY DTC OR ANY PARTICIPANT; (B) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; OR (D) ANY OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS BONDHOLDER, INCLUDING THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

Bond Insurance

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise

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additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011.

Capitalization of AGM

At December 31, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$2,578,146,678 and its total net unearned premium reserve was approximately \$2,298,456,380, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the Policy) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Town which is recovered by the Town from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Town unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Bond Insurer’s consent may be required in connection with amendments to the applicable Agreements or Resolutions.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the applicable Agreements. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term insured ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description under “Ratings” herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Town or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

Redemption Provisions

Optional Redemption

Bonds maturing on or after March 1, 2023 are subject to redemption prior to maturity at the option of the Town, in whole or from time to time in part in such order of maturity or portion of each maturity as may be designated by the Town and within a maturity by lot, on any date on or after March 1, 2021 at par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on March 1, 2023 will be subject to redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from mandatory sinking fund installments on each March 1 as follows:

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2022	\$375,000	2023	\$390,000

The Bonds maturing on March 1, 2026 will be subject to redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from mandatory sinking fund installments on each March 1 as follows:

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2024	\$405,000	2026	\$435,000
2025	420,000		

The Bonds maturing on March 1, 2028 will be subject to redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from mandatory sinking fund installments on each March 1 as follows:

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2027	\$455,000	2028	\$475,000

The Bonds maturing on March 1, 2031 will be subject to redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from mandatory sinking fund installments on each March 1 as follows:

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2029	\$495,000	2031	\$540,000
2030	520,000		

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Town in such manner as in its discretion it shall determine; provided that, so long as the Bonds are maintained in book-entry form, the selection of

individual ownership interests in the Bonds to be credited with such partial redemption shall be made by DTC in accordance with DTC's then existing procedures.

If the Town elects to redeem all or a portion of the Bonds outstanding, it shall give a redemption notice by first class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the date fixed for redemption to the registered owner of each Bond at the address of such registered owner appearing on the registration books kept by the Paying Agent as of the date such Bonds are selected for redemption, provided, however, that the failure to mail the redemption notice or any defect in the notice so mailed to any bondholder shall not affect the validity of the redemption proceedings as to any bondholder to whom proper notice was given. The redemption notice shall state (i) whether the Bonds are redeemed in whole or in part and, if in part, the maturities and numbers of the Bonds to be redeemed, (ii) in the case of a partial redemption of any Bond, the portion of the principal amount which is to be redeemed, (iii) that the interest on the Bonds to be redeemed shall cease on the date fixed for redemption, (iv) the date fixed for redemption and the redemption price, (v) that the Bonds to be redeemed shall be presented for redemption and payment on the date fixed for redemption at the principal corporate trust office of the Paying Agent, and (vi) whether the redemption is contingent upon funds therefor being available.

From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for payment of the redemption price plus accrued interest thereon to the date fixed for redemption are held by the Paying Agent on such date, the Bonds so called for redemption shall become due and payable at the redemption price provided for redemption of such Bonds on such date, interest on such Bonds shall cease to accrue and the registered owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof plus accrued interest thereon to the date fixed for redemption from the monies so held by the Paying Agent. Upon presentation and surrender for redemption in compliance with the redemption notice, the Bonds to be redeemed shall be paid by the Paying Agent at the redemption price plus accrued interest thereon to the date fixed for redemption. If Bonds so called for redemption are not paid upon presentation and surrender, the Bonds designated for redemption shall continue to bear interest at the rates stated therein until paid.

Tax Matters

Tax Exemption-Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Town subsequent to the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Town has made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest (including accrued original issue discount) on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the Town comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so includable in gross income retroactive to the date of issuance of the Bonds. The Town has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under

THE BONDS

Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. Based on the representations made by the Town, it is the opinion of Bond Counsel, that banks, thrift institutions and other financial institutions which purchase the Bonds may deduct eighty percent (80%) of their interest expense on indebtedness incurred to purchase or carry the Bonds pursuant to Sections 265(b) and 291(e)(1)(B) of the Code. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax," "Branch Profits Tax," "S Corporations with Passive Investment Income," "Social Security and Railroad Retirement Benefits," "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations," "Property or Casualty Insurance Company" and "Accounting Treatment of Original Issue Discount and Amortizable Bond Premium" below.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the Bonds) is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the alternative minimum tax.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income." For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income." Thus, interest on the Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions discussed below, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the Bonds and any other tax-exempt obligations acquired after August 7, 1986.

An exception to the complete denial to financial institutions for interest paid on funds allocable to purchase or carry tax-exempt obligations applies if such obligations are “qualified tax-exempt obligations.” Under Section 265(b)(3) of the Code, an obligation is a “qualified tax-exempt obligation” if: (i) the obligation is not a “private activity bond;” (ii) the Town and all entities that must be aggregated with it pursuant to the Code (“Other Issuers”) do not reasonably anticipate issuing during the calendar year tax-exempt obligations (other than private activity bonds) in excess of \$10 million (other than certain obligations not required to be taken into account under the Code); and (iii) the Town designates the tax-exempt obligations as “qualified tax-exempt obligations.” For purposes of this exception, a qualified 501(c)(3) bond is not included within the definition of a “private activity bond.” If the tax-exempt obligation is a “qualified tax-exempt obligation,” then eighty percent (80%) of the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or carry such obligations will be allowed under Sections 265(b) and 291(e)(1)(B) of the Code.

The Town has represented that the Bonds are not private activity bonds. The Town has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code, and has represented that neither it nor any Other Issuers has issued or expects to issue more than \$10,000,000 of “tax-exempt obligations” (other than certain obligations not required to be taken into account for purposes of that Section of the Code) in the calendar year 2011. Based on such representations, it is Bond Counsel's opinion, that banks, thrift institutions and other financial institutions which purchase the Bonds may deduct eighty percent (80%) of their interest expense on indebtedness incurred to purchase or carry the Bonds pursuant to Sections 265(b) and 291(e)(1)(B) of the Code.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Reportable Payments and Backup Withholding

Under 2006 amendments to the Code, payments of interest on the Bonds will be reported to the Internal Revenue Service by the payor on Form 1099 unless the Bondholder is an “exempt person” under Section 6049 of the Code. A Bondholder who is not an exempt person may be subject to “backup withholding” at a specified rate prescribed in the Code if the Bondholder does not file Form W-9 with the payor advising the payor of the Bondholder's taxpayer identification number. Bondholders should consult with their brokers regarding this matter.

The Paying Agent will report to the Bondholders and to the Internal Revenue Service for each calendar year the amount of any “reportable payments” during such year and the amount of tax withheld, if any, with respect to payments made on the Bonds.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The Bonds maturing on and after March 1, 2015 are herein referred to as the “Discount Bonds.” In the opinion of Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the cover page and the stated redemption price at maturity of each such Bond constitutes “original issue discount,” all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a “constant interest method,” which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Pennsylvania tax treatment of original issue discount.

The Bonds maturing on or before March 1, 2014 are hereinafter referred to as the “Premium Bonds.” An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

Delaware State Tax Opinion

In the opinion of Bond Counsel under existing statutes interest on the Bonds is exempt from personal and corporate income tax imposed by the State.

II. Government and Administration

Town Location

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 named as one of the top 100 popular places to retire in 2010 by topretirements.com. The Town currently occupies a land area of 7.268 square kilometers and serves a population of approximately 11,040.

Form of Government

The Town's governing body is composed of a Mayor and six Council members. 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 Charter, Code or as directed by the Town Council. They include police protection, streets and sanitation maintenance, recreation, library, public improvements, planning and zoning, rental inspections, electric power distribution, water and wastewater services, legislative services and general administration.

Within the Town, there is a volunteer fire company that is autonomous. 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 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. The Town's fiscal year runs from January 1 through December 31.

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 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 School Resource Officer, DARE Officer, Special Investigation Unit, Tactical Team, Motorcycle Patrol Unit and Bicycle Patrol Unit.

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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.

Town Council and Town Officials

Authority

The Mayor and the Town Council is the governing body in the Town. The Town Council meets the first and third Monday of each month (except holidays - meetings falling on a holiday will take place the following Tuesday) in The Town of Smyrna Council Room in Town Hall. The Town Council is composed of the 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. Elections are held on the last Monday in April of each year. One At-Large council seat and one District council seat are voted upon each year. Vacancies on the Town Council are voted upon by the remaining council members until the next regularly scheduled election for that position. The Town Manager and the Police Chief are appointed by the Mayor and Town Council and serve at the Mayor and Council's pleasure.

Elected Officials

PATRICIA A. STOMBAUGH (2009-2011) is the Mayor of the Town of Smyrna, Delaware,

WILLIAM C. RAYNOR, Vice Mayor – District 2 (2008-2011),

REGINA I. BROWN, Councilwoman – District 1 (2010-2013),

VALERIE M. WHITE, Councilwoman – District 3 (2009-2012),

ANTHONY H. DeFEO, Councilman – At Large (2010-2013),

ROBERT M. NOVOTNY, Councilman – At Large (2010-2011),

ROBERT L. RIDDAGH, Secretary/Councilman – At Large (2009-2012).

Administrative Officials

DAVID S. HUGG, III, is the Town Manager of the Town of Smyrna, Delaware, a position he assumed in June 2002. He is the Chief Administrative Officer of the Town and is responsible for all municipal operations and departments, except the Police Department, managing a combined town staff of almost 100 employees, and a 2011 combined operating and enterprise budget of over \$21 million.

GOVERNMENT AND ADMINISTRATION

Prior to joining the Town, Mr. Hugg was a Policy Scientist with the Institute for Public Administration in the College of Human Services, Education and Public Policy at the University of Delaware. He retired in July 2001 as State Planning Coordinator and Director of the Delaware Office of State Planning Coordination, having been appointed to that position by Governor Carper in January 1995.

Mr. Hugg was Director of Management and Operations and the Executive Assistant to the Secretary of the Department of Natural Resources and Environmental Control from 1981 until his appointment as State Planning Coordinator. He was Director of the Office of Management, Budget and Planning (1980-1981) and the Environmental Policy Planning Manager with that agency and its predecessor, the Delaware State Planning Office (1969-1980). His experience also includes planning positions in Anne Arundel County, Maryland and the Tri-State Regional Transportation Agency in New York City.

A native of Delaware, Mr. Hugg holds a degree in Business Administration from the University of Delaware and a Master's Degree in Urban Planning from New York University. He is an adjunct professor at the University of Delaware, teaching courses in land use and environmental planning, planning analysis, and land use control. He is a member and Past President of the Delaware Chapter of the American Planning Association, the Board and Executive Committee of the Delaware Municipal Electric Corporation, the American Institute of Certified Planners, a past Chairman and member of the Delaware State Historic Preservation Review Board, and a past member of the Board of Directors of the Smyrna Main Street Association.

GARY F. STULIR is the Manager of Accounting and Business Services, a position he assumed in October 2004. Prior to joining the Town, Mr. Stulir was a management analyst, a tax auditor, and an accountant for the State of Delaware. He has a Bachelor's Degree in accounting from Delaware State University and is currently working on a Masters in Public Administration from the University of Delaware. Mr. Stulir is a certified public accountant.

Major Initiatives

The Town continues to move forward with its downtown streetscape project which involves installing new brick sidewalks and new lamp posts and the placement of utilities underground. In addition, Phase 1 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.

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's 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

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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 amounting 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.

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.

On December 31, 2010, the Government Finance Officers Association of the United States and Canada presented the Town with an Award of Financial Reporting Achievement.

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.

As a municipal corporation, the Town is extensively protected from liability on tort claims by the Delaware Municipal Tort Claims Act (10 Del. C. Chapter 40, Subchapter II). Under this statute, the municipal corporation cannot be sued in tort for damages except for three limited types of claims including: (1) in its ownership, maintenance or use of any motor vehicle, special mobile equipment, trailer, aircraft or other machinery or equipment, whether mobile or stationary; (2) in the construction, operation or maintenance of any public building or the appurtenances thereto, except as to historic sites or buildings, structures, facilities or equipment designed for use primarily by the public in connection with public outdoor recreation; and (3) in the sudden and accidental discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalines and toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere or any watercourse or body of water, and its "employees" (including appointed and elected officials) may be personally liable only "for those acts which were not within the scope of employment or which were performed with wanton negligence or willful and malicious intent." (10 Del. C. 4011(c)) Additionally, the statute provides a cap on liability as to any permitted claims of \$300,000 "for any and all claims arising out of a single occurrence, except insofar as the political subdivision elects to purchase liability insurance in excess of \$300,000 in which event the limit of recovery shall not exceed the amount of the insurance coverage."

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

Full-Time Equivalents (FTE) Employees

Function/Department	2005	2006	2007	2008	2009
General Government – Administration	16	13	14	15	14
Public Safety – Police	27	27	29	29	29
Public Works	10	11	12	14	11
Planning and Inspection	5	6	6	7	7
Library	2	2	2	2	2
Culture and Recreation – Parks	2	2	2	3	3
General Fund Total	62	61	65	70	66
Public Utilities	9	8	9	9	9
Electric Fund Total	9	8	9	9	9
Public Utilities	3	3	3	3	4
Water and Sewer Fund Total	3	3	3	3	4
Total Staff	74	72	77	82	79

Retirement and Pension Systems

Police Pension Plan

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 eligible employees. The Town has had in effect since January 1, 1966 the Police Pension Plan, to which it made contributions for the purpose of providing benefits for its eligible employees and their beneficiaries, in the manner and to the extent set forth in such plan, which plan was spun-off in 1975 into two Plans: the Pension Plan for Full-Time City Employees of the Town and the Pension Plan for Full-Time Policemen.

The plan is administered by the Plan Administration Committee 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 the financial statements of the Town. As of January 1, 2009, the date of the most recent actuarial report, the pension plan membership consisted of the following: 22 active employees, 4 terminated vested participants, and 8 retirees and beneficiaries currently receiving benefits.

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, 1994, employees who are discharged or resign before qualifying for retirement benefits will be entitled to 100 percent of the 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 2½ percent of the three highest years of average compensation multiplied by benefit service. There is no provision for early retirement.

Annual Pension Costs

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

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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.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)*
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)

* Note: A negative number means it is an asset. Over the years the contributions that went into the pension funds exceeded what was required to be contributed.

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

Full-Time Employees Pension Fund

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 Town had in effect since January 1, 1966 the Pension Full-Time Employee Pension Plan, to which it made contributions for the purpose of providing benefits for its eligible employees and their beneficiaries, in the manner and to the extent set forth in such plan, which plan was fully restated in 1975.

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 Plan Administration Committee 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 Unsc0/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 statements of the Town. As of January 1, 2009, the date of the most recent actuarial report, the pension plan membership consisted of the following: 49 active employees, 21 terminated vested participants, and 7 retirees and beneficiaries currently receiving benefits.

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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. 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.

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 at 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.

GOVERNMENT AND ADMINISTRATION

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)*
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)

* Note: A negative number means it is an asset. Over the years the contributions that went into the pension funds exceeded what was required to be contributed.

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

Post-Employment Retirement Benefits

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.

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.

In the January 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 unfunded actuarial accrued liability is being amortized based on a level dollar, 15-year closed period. The remaining amortization period at December 31, 2009 was 14 years.

GOVERNMENT AND ADMINISTRATION

Town of Smyrna
Police and Full-Time Employees Plans

Schedule of Funding Progress

	(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)
POLICE						
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	217.79
FULL-TIME EMPLOYEE						
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

Schedule of Employer Contributions – Pension Plans

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

GOVERNMENT AND ADMINISTRATION

**Post-Employment Health Care Benefits
Schedule of Funding Progress – City Employees and Police**

	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 – City 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

III. Financial Information

Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Town's funds are divided into the following categories:

Governmental Funds

Most of the Town's basic services are included in Governmental Funds. There are two major governmental funds:

1) General Fund – 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.

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

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.

Non-Governmental Funds

Non-governmental funds include the Municipal Street Aid, S.A.L.L.E., E.I.D.E., Resource Office and Forfeiture funds.

Proprietary Funds

The Town maintains two different types of Proprietary Funds: the Water and Sewer Fund and the Electric Fund. These funds account for the financial transactions related to the water and sewer operations and electric distribution (user charges) operations of the Town.

Fiduciary Funds

Fiduciary Funds account for assets held by the Town as trustee for individuals, such as its employee pension plans, private organizations and governmental units and do not support the Town's operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government.

Summary of Significant Accounting Policies

Basis of Presentation

The accounts of the Town are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered through user charges.

Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

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FINANCIAL INFORMATION

General Fund

The following table shows the combined statement of revenues, expenditures, and changes in fund balance for the General Fund for the fiscal years 2005 through 2009.

	2005	2006	2007	2008	2009
Revenues:					
Taxes:					
Property taxes	\$ 933,914	\$1,157,148	\$1,138,746	\$1,743,747	\$1,900,363
Transfer taxes	1,564,109	1,534,963	962,133	1,051,590	669,914
Special assessment/impact fees	573,968	614,997	843,486	624,061	470,676
Charges for services	678,678	774,234	929,401	945,717	1,070,184
Intergovernmental	278,190	406,775	382,348	459,587	308,750
Licenses, fees and permits	446,085	528,649	656,911	564,434	421,777
Fines and forfeits	86,096	86,770	76,161	85,312	62,553
Utility franchise fees	98,004	105,001	116,124	125,903	132,249
Investment income	8,745	74,662	90,427	35,778	2,199
Miscellaneous	38,050	35,515	60,899	83,662	182,039
Total Revenues	4,705,839	5,318,714	5,256,636	5,719,791	5,220,704
Expenditures:					
Current:					
General government	1,624,741	792,141	569,885	717,819	607,996
Public safety	3,097,915	3,073,315	3,157,556	3,439,570	3,219,923
Public works	1,144,794	1,274,826	1,599,062	1,610,426	1,659,260
Planning and inspection	559,968	743,044	838,069	790,029	631,693
Library	214,588	233,489	212,443	256,168	261,747
Culture and recreation	288,112	256,940	306,941	351,120	276,030
Business park	42,994	221,936	12,805	13,325	11,370
Neighborhood housing rehabilitation	-	50,106	6,895	-	1,592
Debt service	-	-	-	-	254,781
Total Expenditures	6,973,112	6,645,797	6,703,656	7,178,457	6,924,392
Excess of Revenues Over (Under) Expenditures	(2,267,273)	(1,327,083)	(1,447,020)	(1,458,666)	(1,703,688)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	12,551	3,382	2,710	624,367	-
Refund of prior year expenditures	-	-	-	46,375	22,399
Transfers in	-	1,386,179	1,194,967	546,596	1,805,992
Transfers out	-	-	(74,397)	-	(2,391)
Total Other Financing Sources	12,551	1,389,561	1,123,280	1,217,338	1,826,000
Excess of Revenues Over (Under) and Expenditures and Other Financing Sources	(2,254,772)	62,478	(323,740)	(241,328)	122,312
Fund Balance – Beginning of Year	3,027,711	772,989	887,715	563,975	322,647
Prior period adjustment	-	52,248	-	-	-
Fund Balance – End of Year	\$ 772,989	\$ 887,715	\$ 563,975	\$ 322,647	\$ 444,959

Source: The Town of Smyrna Audited Financial Statements for fiscal years 2005-2009.

Budgets and Budgetary Accounting

The following chart shows the budgeted revenues for the General Fund, the Electric Fund, and the Water and Sewer Fund for fiscal years 2010 and 2011. The Town’s principal sources of revenue include user charges for electric, user charges for water and sewer, and property taxes.

**TOWN OF SMYRNA
CONSOLIDATED BUDGET SUMMARY
BUDGETED REVENUES**

	<u>Budget 2010</u>	<u>Budget 2011</u>
<u>General Fund</u>		
Property Taxes	\$ 1,950,000	\$2,050,000
Transfer Taxes	600,000	600,000
Police Revenues	110,000	110,000
Cable Franchise Fee	87,000	90,000
Gas Franchise Fee	45,000	45,000
Library – County Reimb.	48,000	50,000
Licenses and Fees	140,000	140,000
Building Permits	400,000	350,000
P & Z New Dev. Rebill	186,500	-
Trash Fee	970,000	1,128,000
Interest/Investment, Inc.	30,000	5,000
Misc Revenue	40,000	40,000
Intergovernmental	345,000	275,000
Indirect Cost*	1,287,754	-
Total General Fund	\$ 6,239,254	\$4,883,000
<u>Proprietary Fund</u>		
Electric	\$ 13,257,000	\$13,257,000
Water/Sewer	3,317,300	3,317,300
Interest Income	10,000	500
Developer Contributions*	1,186,000	-
Total Proprietary	\$ 17,770,300	\$16,574,800
Combined Revenues	\$ 24,009,554	\$21,457,800

Source: Town of Smyrna Budgets for fiscal years 2010 and 2011

* Note: In fiscal year 2011, the Indirect Cost Allocation in the amount of \$1,466,354 and the Developer Contributions in the amount of \$1,186,000 have been moved to a separate supporting schedule, but will be shown in the year end audited financial statements as previously shown.

FINANCIAL INFORMATION

The following chart shows the budgeted expenditures for the General Fund, the Electric Fund, and the Water and Sewer Fund for fiscal years 2010 and 2011.

**TOWN OF SMYRNA
CONSOLIDATED BUDGET SUMMARY
BUDGETED EXPENDITURES**

	<u>Budget 2010</u>	<u>Budget 2011</u>
Electric Department	\$11,824,595	\$10,029,197
Library	292,094	283,265
Public Works	1,749,388	1,885,948
Water and Sewer	2,350,828	1,705,351
Administration	1,530,892	1,414,391
Administration IT	434,540	474,321
Planning and Inspections	867,151	631,698
Parks	348,524	271,464
Public Safety	3,580,459	3,694,329
Debt Service	921,673	971,185
Industrial Park	12,000	12,000
Total Expenditures	\$23,912,144	\$21,373,149

Source: Town of Smyrna Budgets for fiscal years 2010 and 2011.

**TOWN OF SMYRNA
OPERATING BUDGETS BY FUND
FISCAL YEARS 2008-2011**

	2008 Budget	2009 Budget	Budget 2010	Budget 2011*
General Fund				
Revenues	\$ 6,540,024	\$ 6,423,008	\$ 6,239,254	\$ 4,883,000
Expenditures	(8,898,711)	(8,566,657)	(8,815,048)	(8,667,416)
Operation Income (Loss)	\$(2,358,687)	\$(2,143,649)	\$(2,575,794)	\$(3,784,416)
Electric Fund				
Revenues	\$14,405,500	\$14,059,000	\$14,453,000	\$13,257,500
Expenditures (Inc. Debt)	(12,560,100)	(12,343,817)	(12,431,938)	(10,636,540)
Operating Income (Loss)	\$1,845,400	\$1,715,183	\$ 2,021,062	\$ 2,620,960
Water/Sewer Fund				
Revenues	\$2,860,000	\$3,050,000	\$3,317,300	\$ 3,317,300
Expenditures (Inc. Debt)	(2,525,926)	(2,596,135)	(2,665,158)	(2,069,193)
Operating income (Loss)	\$334,074	\$ 453,865	\$ 652,142	\$ 1,248,107
Total Project Operating Income (Loss)	\$(179,212)	\$ 25,399	\$ 97,410	\$ 84,651

Source: Town of Smyrna Budget for fiscal years 2011

* Note: In fiscal year 2011, the Indirect Cost Allocation in the amount of \$1,466,354 and the Developer Contributions in the amount of \$1,186,000 have been moved to a separate supporting schedule, but will be shown in the year end audited financial statements as previously shown.

Property Taxes

The Town's property tax year is from May 1 through September 30. Taxes paid before May 31 are given a 6-percent discount and taxes paid after the due date are assessed a penalty interest of one and one-half percent per month. The property tax revenues are recognized on a pro rata basis. Delinquent taxes are considered fully collectible and there is no allowance for uncollectible taxes. The property tax rate for 2009 was .2526 cents per \$100 of assessed value.

The following chart shows the property tax rate and the total value of assessments for the past 10 fiscal years.

**Real Estate Tax Revenues by Source -
Governmental Funds**

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

Source: Town financial reports.

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.

Assessed Value of Taxable Property

Real Property				
Fiscal Year	Total Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2009	\$927,630,793	\$117,953,900	\$809,676,893	.2526
2008	839,592,693	122,564,400	717,028,293	.2526
2007	776,456,700	117,085,500	659,371,200	.1726
2006	742,774,544	60,655,900	682,118,644	.1726
2005	329,829,200	51,000	329,778,200	.3100
2004	*	*	278,735,900	.3100
2003	*	*	278,514,180	.3100
2002	*	*	265,251,600	.3100
2001	*	*	253,707,000	.2200
2000	*	*	246,836,000	.2200

Source: Town of Smyrna Assessment Office.

* 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.

**Property Tax Rates – All Overlapping Governments
(Per \$100 of Assessed Value)**

Fiscal Year	Overlapping Governments				Total Direct & Overlapping Rates for Property in Kent County	Total Direct & Overlapping Rates for Property in New Castle County
	Town of Smyrna	Kent County	New Castle County*	Smyrna School District		
2009	.25260	.25000	.56140	1.18030	1.68290	1.99430
2008	.25260	.25000	.56140	1.07800	1.58060	1.89200
2007	.17260	.25000	.47780	1.06300	1.48560	1.71340
2006	.17260	.25000	.45500	1.02800	1.45060	1.65560
2005	.31000	.25000	.45500	1.01300	1.57300	1.77800
2004	.31000	.25000	.45500	1.09200	1.65200	1.85700
2003	.31000	.25000	.45500	1.02600	1.58600	1.79100
2002	.31000	.25000	.45500	1.10800	1.66800	1.87300
2001	.22000	.25000	.45500	.97900	1.44900	1.65400
2000	.22000	.25000	.00000	.65700	1.12700	0.87700

Source: Town and County financial reports.

* Less than one quarter of the Town's boundaries are located in New Castle County.

FINANCIAL INFORMATION

**Town of Smyrna
Principal Taxpayers**

Taxpayer	2009		
	Taxable Assessed Value	Rank	Percentage of total taxable assessed valuation
Walmart Stores East, LP	\$ 49,683,000	1	6.14%
Worthington Properties	24,701,000	2	3.05
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
Beiser Group LLC Co.	<u>6,846,000</u>	10	<u>0.85</u>
Total	<u>\$188,458,100</u>		<u>23.28%</u>

**Property Tax
Levies and Collections**

Fiscal Year	Total Levy	Collected Within Fiscal Year of 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	28,725	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 ⁽²⁾	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

Source: Town financial reports

(1) Amount is net of discounts and penalties.

(2) 2003 Total levy has been estimated since data was unavailable.

* Information not available

FINANCIAL INFORMATION

Net Assets

	2005	2006	2007	2008	2009
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 917,965	\$ 898,357	\$ 1,701,888	\$ 3,034,082	\$ 214,546
Investments	3,951,312	4,137,713	5,018,030	6,695,940	5,259,097
Taxes receivable	251,006	193,488	162,950	209,375	290,263
Accounts receivable	1,893,673	2,774,918	2,986,295	3,701,066	3,796,851
Other Receivables			411,858		
Inventory	603,701	716,245	951,547	1,045,391	1,028,065
Due from other governments	44,896	10,212	64,200	8,167	1,153,774
Prepaid item	128,516	121,401	145,521	156,584	119,534
Land held for resale	45,080	45,080	45,080		
Restricted assets-meter deposits	169,595	189,165	208,570	257,817	48,096
Restricted cash-Capital projects	9,179	-	-	-	-
Total Current Assets	8,014,923	9,086,579	11,695,939	15,108,422	11,910,226
Noncurrent Assets					
Capital assets, net					
Land	857,739	857,739	1,240,939	1,334,295	1,195,966
Construction in progress	5,572,506	2,324,831	1,365,226	3,181,945	1,373,536
Land improvements	207,154	194,149	225,841	401,565	377,673
Buildings and improvements	2,297,032	3,797,109	4,150,404	4,047,933	8,316,422
Infrastructure	7,115,311	30,384,203	32,854,977	34,075,945	36,901,278
Machine and equipment	1,916,229	1,685,625	1,559,787	1,928,457	1,692,717
Total Noncurrent Assets	17,965,971	39,243,656	41,397,174	44,970,140	49,857,592
TOTAL ASSETS	25,980,894	48,330,235	53,093,113	60,078,562	61,767,828
LIABILITIES AND NET ASSETS					
LIABILITIES					
Current Liabilities					
Accounts payable	1,665,310	1,338,594	1,552,952	1,893,444	1,561,950
Accrued salaries and benefits	23,978	64,946	77,128	92,825	100,894
Accrued interest		10,170	20,648	26,249	23,674
Developer deposits	697,019	953,255	1,647,788	1,388,883	1,606,252
Deferred revenue		17,509	8,023	931,139	862,060
Accrued compensated absences	233,067	264,570	192,431		
Payable from restricted assets-meter deposits	169,595	189,165	208,570	4,590,357	48,096
Total Current Liabilities	2,788,969	2,838,209	3,707,540	4,590,357	4,202,926
Noncurrent Liabilities					
Portions due or payable within 1 year					
Loans payable	74,870	1,035,826	295,794	412,671	428,537
Bond anticipation note		4,644,000			
Portions due or payable after 1 year					
Accrued compensated absences	469,003	504,447	383,408	528,312	554,003
Other post-employment benefits					838,931
Loans payable	3,580,269	1,503,555	7,494,976	10,379,384	9,949,761
Total Noncurrent Liabilities	4,124,142	7,687,828	8,174,178	11,320,367	11,771,232
TOTAL LIABILITIES	6,913,111	10,526,037	11,881,718	15,910,724	15,974,158
NET ASSETS					
Invested in capital assets, net of related debt	14,310,832	32,060,275	33,606,404	35,562,212	39,479,294
Unrestricted (deficit)	1,549,017	2,354,903	3,235,826	3,410,817	1,252,480
Restricted for police	58,873	47,285	53,776	59,436	59,755
Restricted for public works	242,887	171,833	210,250	148,140	262,774
Restricted for capital projects	2,906,174	3,169,902	4,105,139	3,987,233	4,739,357
TOTAL NET ASSETS	19,067,783	37,804,198	41,211,395	44,167,838	45,793,660
TOTAL LIABILITIES AND NET ASSETS	\$25,980,894	\$48,330,235	\$53,093,113	\$60,078,562	\$61,767,818

Source: The Town of Smyrna Audited Financial Statements for fiscal years 2005-2009.

FINANCIAL INFORMATION

The Electric Fund

The following table shows the Statement of Revenues and Expenses for the Electric Fund over the past five fiscal years.

	2005	2006	2007	2008	2009
<u>Operating Revenues</u>					
User service charges	\$ 9,656,352	\$12,526,581	\$12,246,347	\$12,771,000	\$13,069,636
Other operating revenue	37,088	58,260	146,440	354,246	143,742
Total Operating Revenues	<u>9,693,440</u>	<u>12,584,841</u>	<u>12,392,787</u>	<u>13,125,246</u>	<u>13,213,378</u>
<u>Operating Expenses</u>					
Electric purchased	6,815,359	7,697,921	8,231,998	8,927,732	8,958,927
Sewer charges	-	-	-	-	-
System maintenance	55,785	57,362	64,643	82,051	49,259
Salaries and wages	564,295	602,259	655,711	708,192	782,970
Employee benefits	334,095	426,405	431,106	471,919	481,624
Depreciation	185,676	319,774	414,765	484,263	552,589
Supplies and maintenance	38,721	46,125	87,351	138,369	103,382
Truck and vehicles	33,656	41,754	30,438	37,650	22,574
Insurance	50,145	31,150	33,389	38,269	39,216
Administration expenses	68,963	98,380	47,584	47,130	76,015
Professional services	203,805	292,422	289,073	214,493	187,735
Minor capital additions	1,908	5,863	13,861	19,388	-
Total Operating Expenses	<u>8,352,408</u>	<u>9,619,415</u>	<u>10,299,919</u>	<u>11,169,456</u>	<u>11,254,291</u>
<u>Operating Income</u>	<u>1,341,032</u>	<u>2,965,426</u>	<u>2,092,868</u>	<u>1,955,790</u>	<u>1,959,087</u>
<u>Non Operating Revenue (Expenses)</u>					
Investment income	78,708	2,903	1,791	2,350	458
Interest expense	47,546	(158,659)	(237,949)	(205,358)	(206,490)
Stimulus Federal funding	-	-	-	-	5,000
Intergovernmental	-	-	(45,000)	(55,000)	(45,000)
Gain on sale of capital assets	2,820	5,837	-	-	-
Total Non-operating Expenses	<u>129,074</u>	<u>(149,919)</u>	<u>(281,158)</u>	<u>(258,008)</u>	<u>(246,032)</u>
<u>Income before Contributions and Transfers</u>					
	1,470,106	2,815,507	1,811,710	1,697,782	1,713,055
Transfers in	-	-	100,538	462,815	68,568
Transfers out	-	(1,362,421)	(2,224,831)	(2,347,007)	(2,171,250)
Developer capital contributions	230,715	1,214,728	1,577,431	821,400	414,268
<u>Change in Net Assets</u>	<u>1,700,821</u>	<u>2,667,814</u>	<u>1,264,848</u>	<u>634,990</u>	<u>24,641</u>
<u>Net Assets, Beginning of Year</u>	<u>3,815,251</u>	<u>5,635,466</u>	<u>8,303,280</u>	<u>9,568,128</u>	<u>10,203,118</u>
<u>Net Assets – End of Year</u>	<u>\$ 5,516,072</u>	<u>\$ 8,303,280</u>	<u>\$ 9,568,128</u>	<u>\$10,203,118</u>	<u>\$10,227,759</u>

Source: Town of Smyrna Audited Financial Statements for fiscal years 2005-2009.

Electric Utility Customers

The following table shows the number of electric utility customers over the past five calendar years.

	2005	2006	2007	2008	2009
Residential	3,387	3,533	3,690	3,872	4,019
Commercial	404	343	358	418	453
Industrial	85	124	132	136	146
Total	3,873	4,000	4,180	4,426	4,618

Source: Town of Smyrna's EIA-861 Energy Report

Water Utility Customers

The following table shows the average number of water utility customers over the past four calendar years.

	2007	2008	2009	2010
Residential	3,306	3,457	3,559	3,725
Commercial	268	295	306	224
Government	35	38	45	42
Industrial	59	62	65	65
Total	3,668	3,852	3,976	4,056

Source: Town of Smyrna

FINANCIAL INFORMATION**The Water and Sewer Fund**

The following table shows the Statement of Revenues and Expenses for the Water and Sewer Fund over the past five fiscal years.

	2005	2006	2007	2008	2009
<u>Operating Revenues</u>					
User service charges	\$2,530,275	\$2,703,513	\$2,809,876	\$ 3,062,288	\$3,013,564
Other operating revenue	62,205	51,479	57,310	64,010	43,206
Total Operating Revenues	2,592,480	2,754,992	2,867,186	3,126,298	3,056,770
<u>Operating Expenses</u>					
Electric purchased	-	-	-	-	-
Sewer charges	827,418	899,060	970,761	1,016,040	1,020,151
System maintenance	140,034	75,614	106,905	194,272	158,972
Salaries and wages	418,281	392,974	407,163	485,810	541,158
Employee benefits	259,016	283,464	299,741	329,233	290,884
Depreciation	144,382	155,917	331,989	337,301	362,047
Supplies and maintenance	11,276	72,608	133,395	85,297	61,166
Truck and vehicles	14,708	14,835	10,204	15,810	12,610
Insurance	80,464	39,695	13,550	15,409	19,034
Administration expenses	37,564	70,723	37,580	50,795	66,166
Interest Expense	72,180	-	-	-	-
Professional services	77,140	77,051	96,729	127,327	81,052
Minor capital additions	2,658	646	12,347	5,940	-
Total Operating Expenses	2,085,121	2,082,587	2,420,364	2,663,234	2,613,240
<u>Operating Income</u>	507,359	672,405	446,822	463,064	443,530
<u>Non Operating Revenue (Expenses)</u>					
Investment income	26,236	46	14	46	21
Interest expense	-	(53,103)	(79,583)	(79,824)	(74,670)
Stimulus Federal funding	-	-	-	-	998,471
Intergovernmental	-	30,960	-	-	-
Gain on sale of capital assets	-	-	-	-	-
Total Non-operating Expenses	26,236	(22,097)	(79,569)	(79,778)	923,822
<u>Income before Contributions and Transfers</u>					
	533,595	650,308	367,253	383,286	1,367,352
Transfers in	-	33,498	159,120	520,029	1,017,720
Transfers out	-	(300,000)	(509,521)	(863,990)	(172,315)
Developer capital contributions	-	-	689,742	582,642	239,400
Change in Net Assets	533,595	383,806	706,594	621,967	2,452,157
Net Assets, Beginning of Year	2,598,998	3,132,593	10,741,749	11,448,343	12,070,310
Net Assets – End of Year	\$3,132,593	\$3,516,399	\$11,448,343	\$12,070,310	\$14,522,467

Source: Town of Smyrna Audited Financial Statements for fiscal years 2005-2009.

Utility Rates

Residential Customers

For residential utility customers, the Town charges an \$11.00 customer charge billed monthly.

In the summer (June through September), the charge for electric is \$0.129 per kilowatt hour (“kWH”). During the winter (October through May), the rate is \$0.129 per kWH for the first 500 kWHs, \$0.117 per kWH for kWHs between 501 and 749 and \$0.095 per kWH for usage over 750 kWHs.

The following chart shows the rates for water set by the Town for residential customers.

Inside Town Limits:

Minimum charge, 3,000 gallons		\$10.00
3,001-4,000 gallons	<i>an additional</i>	\$ 4.00
4,001-5,000 gallons	<i>an additional</i>	\$ 5.00
5,001-6,000 gallons	<i>an additional</i>	\$ 6.00
Over 6,000 gallons	<i>an additional</i>	\$ 7.00

Outside Town Limits:

Minimum charge, 3,000 gallons		\$20.00
3,001-4,000 gallons	<i>an additional</i>	\$ 8.00
4,001-5,000 gallons	<i>an additional</i>	\$10.00
5,001-6,000 gallons	<i>an additional</i>	\$12.00
Over 6,000 gallons	<i>an additional</i>	\$14.00

The following chart shows the rates for sewer set by the Town for residential customers.

Inside Town Limits:

Minimum charge, 3,000 gallons		\$18.74
Over 6,000 gallons	<i>an additional</i>	\$ 6.00

Outside Town Limits:

Minimum charge, 3,000 gallons		\$37.88
Over 6,000 gallons	<i>an additional</i>	\$12.00

Commercial Customers

The following rates apply to commercial customers of the Town's utilities.

Customer Charge:		\$ 6.50
Energy Charge:		
Summer (June-Sept)	<i>Per kWh</i>	\$0.135
Winter (Oct-May)		\$0.125
Electric Hot Water/Heat		\$0.100
Water:		
Minimum charge, 3,000 gallons		\$10.00
Over 6,000 gallons	<i>an additional</i>	\$ 2.75
Sewer:		
Minimum charge, 3,000 gallons		\$18.94
Over 6,000 gallons	<i>an additional</i>	\$ 6.00

Industrial Customers

The following rates apply to industrial customers of the Town's utilities.

Customer Charge:		\$ 6.50
Energy Charge:	<i>Per kWh</i>	\$0.068
Demand Charge:		
Summer (June-Sept)		\$14.62
Winter (Oct-May)		\$ 9.67
Water:		
Minimum charge, 3,000 gallons		\$10.00
Over 6,000 gallons	<i>an additional</i>	\$ 2.75
Sewer:		
Minimum charge, 3,000 gallons		\$18.94
Over 6,000 gallons	<i>an additional</i>	\$ 6.00

IV. Capital Requirements And Debt Matters

Debt Administration

After the issuance of the Bonds, the Town will have the following bonds and loans outstanding. The Bonds are being issued to refinance two outstanding PNC Loans, which are not reflected in the following chart.

Loan	Fund Paid From	Amount Outstanding	Maturity	Interest Rate
Delaware Economic Development Loan	Water/Sewer	\$22,500	2013	0.00%
Drinking Water Loan #1	Water/Sewer	\$1,239,330	2024	2.72%
Drinking Water Loan #2	Water/Sewer	\$1,509,638	2027	2.41%
General Obligation Bonds, Series 2011	General	\$7,715,000	2031	2.00%- 4.20%

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CAPITAL REQUIREMENTS AND DEBT MATTERS

Debt Service Requirements

The following table shows the debt service (principal and interest) on the Town's outstanding loans as of December 31, 2010 and the Bonds. Portions of these bonds and loans are paid from the General Fund, the Electric Fund and the Water and Sewer Fund.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 122,137	\$ 175,172	\$ 297,309
2012	449,055	330,791	779,846
2013	463,100	320,946	784,046
2014	464,749	310,847	775,596
2015	474,006	300,540	774,546
2016	488,373	289,579	777,952
2017	497,854	277,554	775,408
2018	512,451	264,214	776,665
2019	527,167	249,441	776,608
2020	542,005	233,603	775,608
2021	561,969	216,792	778,761
2022	577,062	198,509	775,571
2023	597,287	178,940	716,227
2024	562,496	158,167	720,663
2025	525,585	138,428	664,012
2026	543,144	118,768	661,912
2027	510,052	98,062	608,113
2028	475,000	78,217	553,217
2029	495,000	57,530	552,530
2030	520,000	35,200	555,200
2031	540,000	11,880	551,880
Total*	\$10,448,492	\$4,043,179	\$14,491,671

Source: Town of Smyrna

Note: The Town's two outstanding PNC loans have balloon payments of \$2,952,656 and \$3,886,347 due in fiscal year 2012. The Bonds are being issued in part to refinance these two loans. These loans will be paid in full on March 15, 2011 and are not included in this chart.

* Totals may not add due to rounding.

CAPITAL REQUIREMENTS AND DEBT MATTERS

Ratios of Outstanding Debt by Type							Ratios of General Bonded Debt Outstanding			
Governmental Activities			Business-type Activities							
Fiscal Year	Loans	Note	Loans	Note	Total Primary Government	Per Capita ⁽¹⁾	Fiscal Year	Loans Payable	Percentage of Loans Payable to Assessed Taxable Value of Property ⁽²⁾	Per Capita ⁽¹⁾
2009	\$3,190,175	\$ -	\$7,188,123	\$ -	\$10,378,298	\$ 940	2009	\$3,190,175	0.39%	\$ 289
2008	3,297,079	-	7,494,976	-	10,792,055	1,034	2008	3,297,079	0.46%	331
2007	-	-	7,790,770	-	7,790,770	781	2007	-	0.00%	-
2006	-	-	2,539,381	4,644,000	7,183,381	755	2006	-	0.00%	-
2005	-	-	1,655,139	2,000,000	3,655,139	406	2005	-	0.00%	-
2004	-	-	1,728,212	-	1,728,212	206	2004	-	0.00%	-
2003	-	-	75,000	-	75,000	10	2003	-	0.00%	-
2002	-	-	-	-	-	-	2002	-	0.00%	-
2001	-	-	-	-	-	-	2001	-	0.00%	-
2000	-	-	-	-	-	-	2000	-	0.00%	-

Source: Town Financial Reports.

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

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

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

CAPITAL REQUIREMENTS AND DEBT MATTERS

**Direct and Overlapping
Governmental Activities Debt**

	<u>General obligation debt outstanding</u>	<u>Estimated percentage applicable to Town of Smyrna</u>	<u>Estimated share of overlapping debt</u>
Direct Debt			
Loan Payable	\$ <u>3,190,175</u>	100.00%	\$ <u>3,190,175</u>
Total direct debt	<u>3,190,175</u>		<u>3,190,175</u>
Overlapping debt ⁽¹⁾			
Kent County	5,654,474	0.62	35,162
New Castle County	211,798,000	0.14	296,517
Smyrna School District	<u>18,448,055</u>	88.49	<u>16,324,766</u>
Total overlapping debt	<u>235,900,529</u>		<u>16,656,445</u>
Total direct and overlapping debt	\$ <u>239,090,704</u>		\$ <u>19,846,620</u>

Source: Town, County and District Financial Reports

(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.

Legal Debt Margin Information (\$Thousand)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 14,840	\$ 30,695	\$ 29,672	\$ 32,266	\$ 36,435
Total net debt applicable to limit	<u>3,655</u>	<u>7,183</u>	<u>7,791</u>	<u>10,792</u>	<u>10,378</u>
Legal debt margin	\$ <u>11,185</u>	\$ <u>23,512</u>	\$ <u>21,881</u>	\$ <u>21,474</u>	\$ <u>26,057</u>
Total net debt applicable to the limit as a percentage of debt limit	24.63%	23.40%	26.26%	33.45%	28.48%
Total taxable assessment	\$329,778	\$682,119	\$659,371	\$717,028	\$809,577
Debt limit percentage ⁽¹⁾	4.50%	4.50%	4.50%	4.50%	4.50%
Debt limit	14,840	30,695	29,672	32,266	36,435
Outstanding debt	<u>3,655</u>	<u>7,183</u>	<u>7,790</u>	<u>10,792</u>	<u>10,378</u>
Legal debt margin	\$ <u>11,185</u>	\$ <u>23,512</u>	\$ <u>21,882</u>	\$ <u>21,474</u>	\$ <u>26,057</u>

(1) Source: Town Code, Section 13.2.1, Town Financial Reports.

CAPITAL REQUIREMENTS AND DEBT MATTERS

Capital Improvements Program

The following chart shows the Capital Budget and Capital Improvements Program for fiscal year 2009 through fiscal year 2014. It was revised on January 12, 2010 to reflect the Town's latest expectations for stimulus funded water and wastewater expenditures as well as the loss of certain grants and the deferral of town hall and library projects. Some of the expenditures planned in 2009 and 2010 have been postponed.

Project	2009	2010	2011	2012	2013	2014
Water*	706,300	2,438,100	530,000	1,590,000	530,000	
Wastewater	92,600	2,365,500	1,796,500	250,000		
Major Streets **			250,000	300,000	300,000	250,000
Major Equipment		180,000	300,000	350,000	350,000	400,000
Police Building	75,000	3,500,000				
Town Hall Exp.				300,000	1,000,000	200,000
Library***				700,000	4,000,000	4,500,000
Ebright Replace						500,000
Parks & Trails		50,000	50,000		50,000	
Mun. Parking Lot**			300,000			
Electric Segments			600,000	800,000	1,000,000	800,000
Route 13 ****		50,000			150,000	
Public Works	2,400,000	150,000	100,000			150,000
4 Corners/P II & III		700,000	700,000	550,000		
Old W/S Utilities			200,000	250,000	250,000	300,000
4 Corners P I*****	2,500,000					
Total	5,773,900	9,433,600	4,826,500	5,090,000	7,630,000	7,100,000

After 2014:

Treatment Plant/Well - Southwest	1,500,000
Water Tower - Southwest	2,000,000
Electric Segments	400,000 (some may be 2015 outlays)
4 Corners/Phase IV	3,000,000
Parking Garage (Wellness Center lot)	8,500,000

Source: Town of Smyrna.

*ARRA loan forgiveness of \$364,400 in 2009, \$1,438,700 in 2010, and \$180,600 in 2011

**Municipal Street Aid funds (not appropriated in FY 2010)

*** State funding for 50% of construction is possible

****CDF/legislative funds for corridor improvements

*****Partially funded by DeIDOT TE grant of \$800,000; includes offsite electric

CAPITAL REQUIREMENTS AND DEBT MATTERS

Future Financings

The Town anticipates receiving a Drinking Water Stimulus loan in the amount of approximately \$3.768 million of which the Town has spent \$1,641,915.51. Half of the \$3.768 million will be forgiven at closing.

The Town also expects a stimulus loan of \$5.975 million from the Delaware Department of Natural Resources and Environmental Control. This money has been spent by the Town, but the funds have not yet been received.

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V. Demography and Economy

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 December 2010 unemployment rate within Kent County was 8.2 percent, the same percentage as of December 2009. Kent County's unemployment rate was the same as the State's unemployment rate as of December 2010. The Town's population growth has climbed steadily and is expected to continue to increase. The Town's current estimated population is 11,040, a 94.4% percentage increase from the 2000 census which placed the Town's population at 5,679. This is also a 5.8% 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 has continued during the past several years, construction fees received declined by approximately 22 percent from fiscal year 2008 to fiscal year 2009. This decline is a reflection of the economic slowdown. Nevertheless, the Town issued 582 building permits with a construction value of \$25.1 million, including 85 apartments and 128 single family homes or townhouses during fiscal year 2009 and the Town issued 497 building permits with a construction value of \$17.3 million, including 65 apartments and 74 single family homes or 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. An additional 48 business licenses were approved in fiscal year 2010.

Labor Force and Unemployment

The chart below shows the major employers in Kent County for fiscal year 2009.

Employer	Employees	Rank
Dover Air Force Base – Dover	4,397	1
Bayhealth – Kent General & Milford-Dover, Milford	2,915	2
Capital School District – Dover	1,000	3
Dover Downs, Inc. – Dover	975	4
Walmart Distribution Center – Smyrna	700	5
Delaware Home & Hospital for the Chronically Ill – Smyrna	650	6
Smyrna School District – Smyrna	554	7
Eagle Group Metal Masters – Clayton	368	8
Hanover Foods – Clayton	213	9
Town of Smyrna – Smyrna	98	20

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

DEMOGRAPHY AND ECONOMY**Demographic and Economic Statistics**

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	10,436	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

(1) 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 persona income information for both 2008 and 2009 since this information is unavailable from data source.

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DEMOGRAPHY AND ECONOMY

Construction Activity

The following table shows building permits for the Town for the past five calendar years.

Commercial - Buildings, Tenant Fitouts, Apartment Buildings, Signs

Calendar Year	2006	2007	2008	2009	2010
Permit Quantity	75	130	91	85	65
Value of Construction	\$33,030,367.00	\$19,309,228.00	\$11,637,226.00	\$6,601,465.42	\$6,719,381.74
Permit Revenue	\$177,899.00	\$241,466.50	\$92,030.52	\$80,661.90	\$77,565.10

Residential - Single Family, Townhouse, Duplex, Manufactured Home

Calendar Year	2006	2007	2008	2009	2010
Permit Quantity	154	161	161	128	74
Value of Construction	\$13,080,069.31	\$17,577,838.00	\$17,628,773.55	\$15,285,788.50	\$8,831,820.62
Permit Revenue	\$155,521.00	\$205,176.00	\$201,919.00	\$176,944.00	\$102,043.00

Additions, Renovations (Comm & Res), Accessory Structures, Misc.

Calendar Year	2006	2007	2008	2009	2010
Permit Quantity	355	262	356	369	358
Value of Construction	\$2,152,645.81	\$1,449,035.00	\$64,678,715.05	\$3,187,913.10	\$1,720,804.85
Permit Revenue	\$42,293.00	\$29,244.00	\$106,709.82	\$47,624.00	\$34,811.00

Annual Totals - All Types of Construction

Calendar Year	2006	2007	2008	2009	2010
Permit Quantity	584	553	608	582	497
Value of Construction	\$48,264,082.12	\$38,336,101.00	\$93,944,714.60	\$25,075,167.02	\$17,272,007.21
Permit Revenue	\$375,713.00	\$475,886.50	\$400,659.34	\$305,229.90	\$214,419.10

Source: Town of Smyrna.

Business Licenses

The following chart shows the summary of Certificate of Zoning Compliance History, which shows the number of businesses that have moved to and from the Town over the past eight years. Certificates of Zoning Compliance are the Town's equivalent of business licenses are required to open or relocate a business within the Town.

Year	Number Applied	Number Approved	Number in Permitting Process	Number Opened	Number Closed	Number Relocated (In Town)	Number Did Not Open
2010	51	48	8	33	2	0	7
2009	47	45	0	38	5	2	7
2008	51	46	0	35	4	1	11
2007	56	53	0	49	7	2	4
2006	51	51	0	46	9	2	5
2005	23	22	0	19	6	2	3
2004	22	22	0	19	9	0	3
2003	28	28	0	24	14	3	4

Source: Town of Smyrna.

VI. Miscellaneous

Legal Matters

Certain legal matters incidental to the authorization and issuance of the Bonds are subject to the approval of Saul Ewing LLP, Wilmington, Delaware, Bond Counsel. Certain legal matters relating to the Town and the Town Council will be passed upon by Hudson, Jones, Jaywork & Fisher, Dover, Delaware, Counsel to the Town and the Town Council.

Litigation

The Town is not party to any legal proceedings at this time, nor is the Town aware of any imminent legal proceedings.

Financial Advisor

Public Advisory Consultants, Incorporated, Owings Mills, Maryland, has served as financial advisor in connection with the issuance of the Bonds and other matters related to the Town's finances.

Continuing Disclosure by the Town

General. The Town has covenanted for the benefit of the Holders of the Bonds in a Continuing Disclosure Agreement dated as of March 15, 2011 (the "Disclosure Agreement") to (a) provide notices of the occurrence of certain enumerated events; and (b) provide certain financial information and operating data relating to the Town by not later than the first day of the eighth calendar month immediately following the end of the Town's fiscal year, e.g., by not later than August 1 of each year, commencing August 1, 2011 (the "Annual Report"). The Annual Report and the notices of significant events, both summarized below, will be filed by the Town with the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of significant events is summarized below. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12, as amended (the "Rule").

Annual Reports. The Town's Annual Report filed with EMMA shall contain or incorporate by reference the following information with respect to the relevant fiscal year: (i) audited financial statements; and (ii) an update of the following types of financial and operating information included in the Official Statement under the headings "FINANCIAL INFORMATION – General Fund, Property Taxes and Net Assets" and "CAPITAL REQUIREMENTS AND DEBT MATTERS – Debt Administration and Debt Service Requirements."

Notices of Significant Events. Upon the occurrence of any of the following notice events, the Town shall in a timely manner not in excess of ten (10) business days after the *occurrence* of any of the following events, file with EMMA notice of such occurrence: (1) principal and interest payment delinquencies; (2) non payment-related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax status of the Bonds; (7) modifications to rights of Holder, if material; (8) bond calls (other than mandatory sinking fund redemptions), if material, and tender offers; (9) defeasances of Bonds; (10) release, substitution, or sale of property securing repayment of any Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event

of the Town; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; or (15) failure to provide annual financial information as required.

Accounting Standards. The financial statements described above shall be audited in accordance with generally accepted accounting principles applicable in the preparation of financial statements of the Town as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body (“GAAP”), and shall also comply with applicable federal and state auditing statutes, regulations, standards and/or guidelines. The Town may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal and state statutes, regulations, standards and/or guidelines. Audited financial statements of the Town not submitted as part of the Annual Report shall be provided to EMMA if and when available to the Town, and in any event not more than thirty (30) days after receipt thereof from the Town’s auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the Town shall provide in lieu thereof unaudited financial statements meeting the description set forth above.

Termination of Reporting Obligation. The Town’s obligations under the Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) the assumption by a successor Obligated Person of all of the obligations of the prior Obligated Person both under the Disclosure Agreement and under the Bonds.

Amendments. Notwithstanding any other provision of the Disclosure Agreement, the Town may modify or amend the Disclosure Agreement. Under the current SEC interpretation of the Rule, the following preconditions must be satisfied: (a) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the Town, or change in the type of business conducted by the Town; (b) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Bonds, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment does not materially adversely effect the interests of Holder as determined either by a party unaffiliated with the Town (such as the Paying Agent or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

To the extent required by the Rule, the Town shall disclose in the next Annual Report the amendment and its impact on the information being provided.

Defaults. In the event of a failure of the Town to comply with any provision of the Disclosure Agreement, the Paying Agent, any Participating Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the Town to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an Event of Default under the Resolutions or the Bonds, and the sole remedy under the Disclosure Agreement in the event of any failure of the Town to comply with the Disclosure Agreement shall be an action to compel performance, provided, however, that nothing in the Disclosure Agreement shall limit any Holder’s rights under applicable federal securities law.

As of the date hereof, the Town has complied with all prior written undertakings under the Rule to provide timely ongoing disclosure of annual financial information and notice of material events affecting its securities.

Underwriting

PNC Capital Markets LLC (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Bonds from the Town. The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$7,604,464.95. Such amount represents the principal amount of the Bonds of \$7,715,000.00, less net original issue discount of \$63,319.25, and less an Underwriter’s discount of \$47,215.80.

The Purchase Contract for the Bonds (the “Purchase Contract”) provides that the Underwriter will purchase all of the Bonds, if any are purchased, in accordance with the terms of the Purchase Contract. The initial offering price may be changed by the Underwriter from time to time without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Bonds to the public, and said Bonds offered to other dealers may be at a lower price than those offered to the public.

Ratings

Standard and Poor’s Rating Group (“S&P”) is expected to assign its municipal bond rating of "AA+" (Stable Outlook) to the issue of Bonds and has done so with the understanding that upon delivery of the Bonds, the Financial Guaranty Insurance Policy will be issued by Assured Guaranty Municipal Corp.

S&P has also assigned an underlying rating to the Bonds of “A+” (Stable Outlook) subject to their issuance.

Such ratings reflect only the view of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address Standard and Poor's Rating Group, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Miscellaneous

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not representations of fact. The Town has authorized the distribution of the Official Statement.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representation of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town, since the date hereof.

The Town of Smyrna

By /s/ Patricia A. Stombaugh
Mayor

APPENDIX A

The Town of Smyrna
Audited General Purpose Financial Statements for the Fiscal Year ended December 31, 2009

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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

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

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

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

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. Stult
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

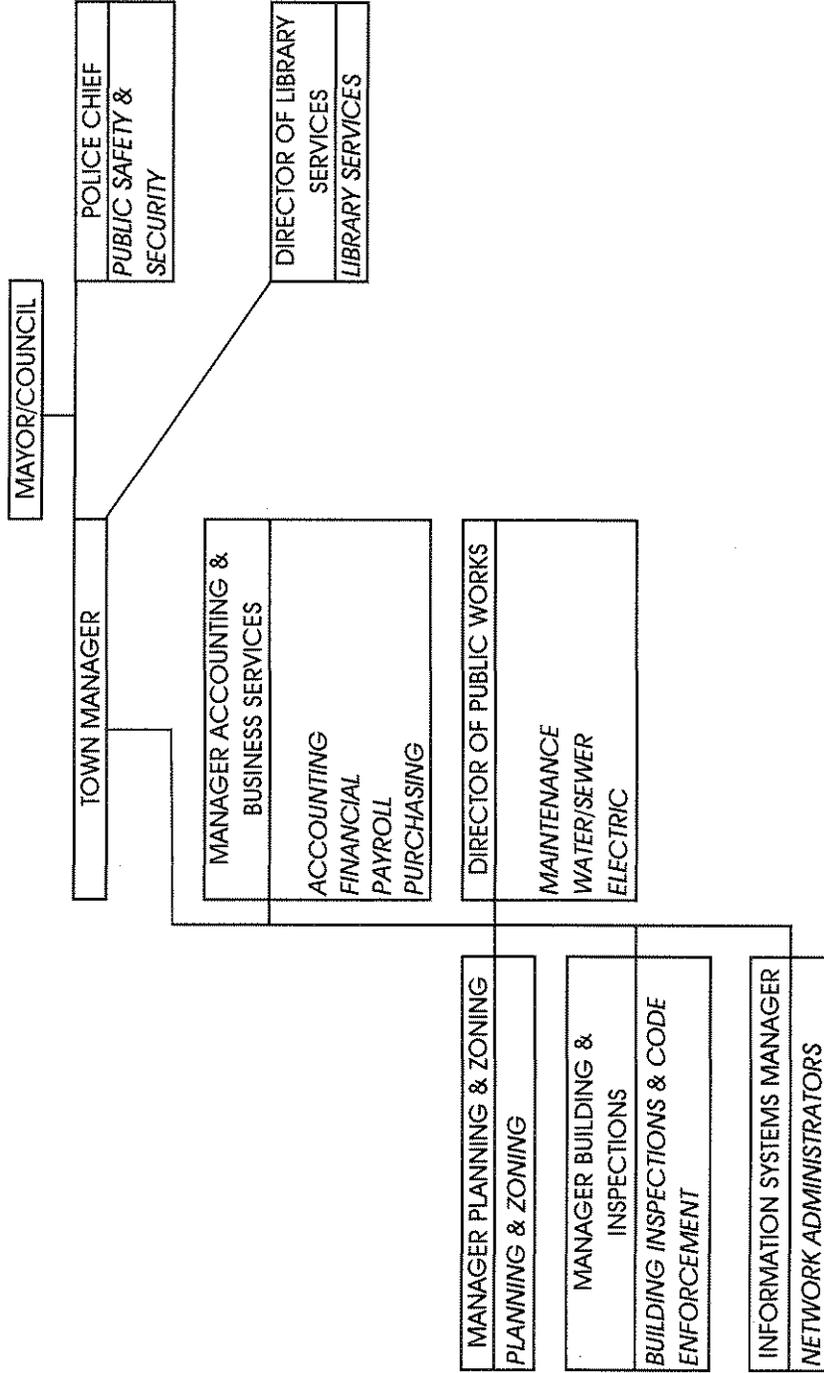
Mayor
Council Member - District 1
Council Member - District 2
Council Member - District 3
Council Member - At Large
Council Member - At Large
Council Member - At Large

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
Assets:						
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
Total Assets	26,751,869	27,402,123	35,015,949	32,676,439	61,767,818	60,078,562
Liabilities:						
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
Total Liabilities	5,708,435	5,507,713	10,265,723	10,403,011	15,974,158	15,910,724
Net Assets:						
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
TOTAL NET ASSETS	\$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

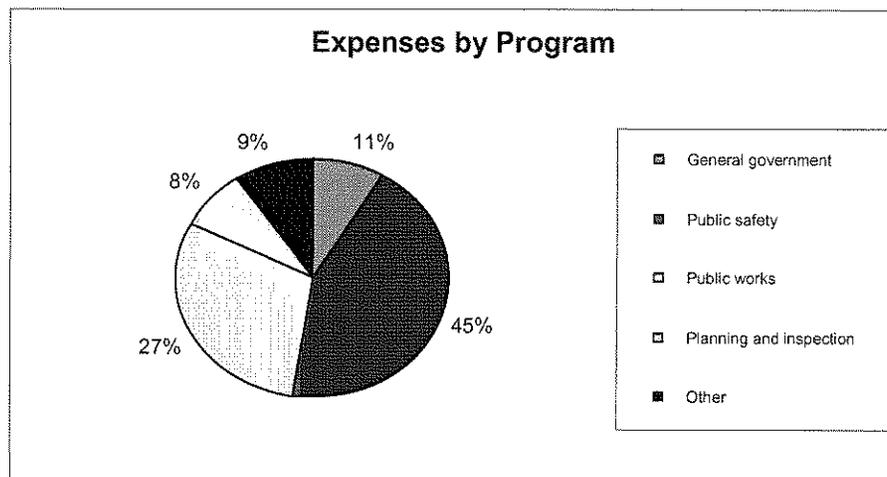
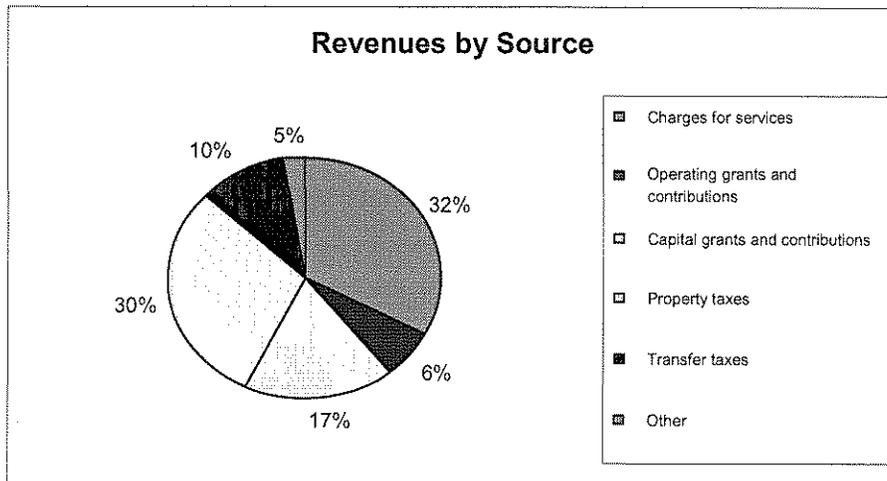
	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program revenues:						
Charges for services	\$ 2,109,360	\$ 2,317,645	\$16,270,148	\$16,251,544	\$18,379,508	\$18,569,189
Operating grants and contributions	400,186	519,984	-	-	400,186	519,984
Capital 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
TOTAL REVENUES	6,615,490	7,582,542	17,927,766	17,657,982	24,543,256	25,240,524
EXPENSES						
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
TOTAL EXPENSES	8,723,743	8,111,209	14,193,691	14,172,872	22,917,434	22,284,081

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

STATEMENT OF CHANGES IN NET ASSETS

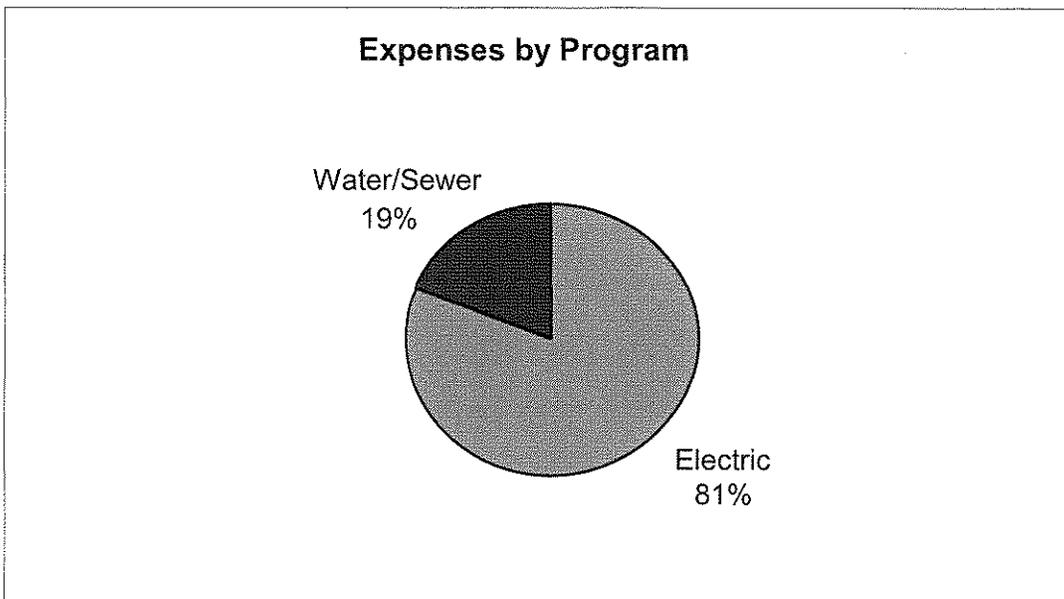
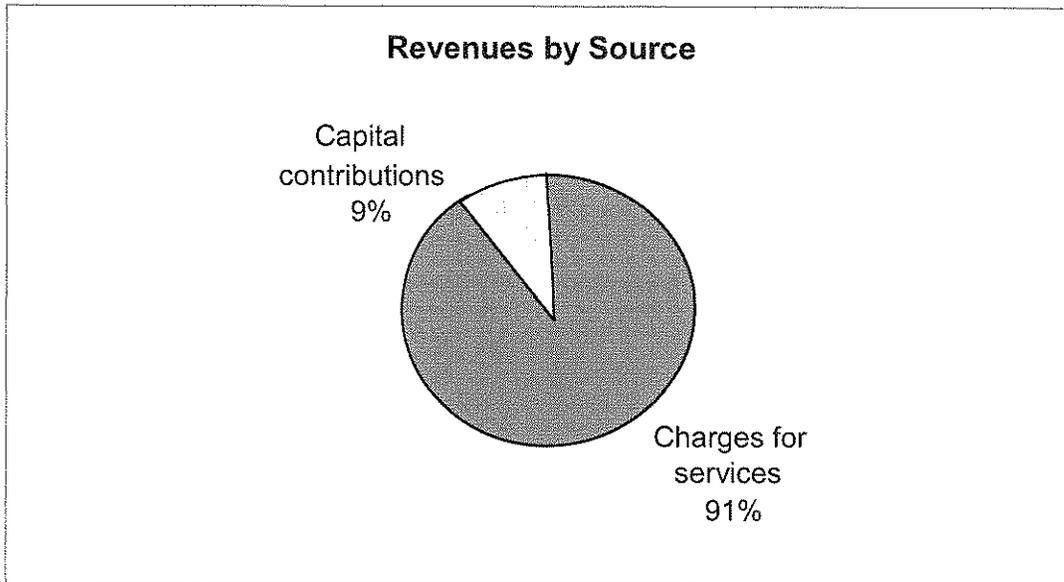
(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Change in net assets before transfers	(2,108,253)	(528,667)	3,734,075	3,485,110	1,625,822	2,956,443
Transfers	1,257,277	2,228,153	(1,257,277)	(2,228,153)	-	-
CHANGE IN NET ASSETS	(850,976)	1,699,486	2,476,798	1,256,957	1,625,822	2,956,443
NET ASSETS, BEGINNING OF YEAR	21,894,410	20,194,924	22,273,428	21,016,471	44,167,838	41,211,395
NET ASSETS, END OF YEAR	<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
TOTAL	<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
ASSETS				
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
Total Current Assets	<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
Total Noncurrent Assets	<u>20,495,779</u>	<u>29,361,813</u>	<u>49,857,592</u>	<u>44,970,140</u>
TOTAL ASSETS	<u>\$ 26,751,869</u>	<u>\$ 35,015,949</u>	<u>\$ 61,767,818</u>	<u>\$ 60,078,562</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
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
Total Current Liabilities	<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
Total Noncurrent Liabilities	<u>4,390,299</u>	<u>7,380,933</u>	<u>11,771,232</u>	<u>11,320,367</u>
TOTAL LIABILITIES	<u>5,708,435</u>	<u>10,265,723</u>	<u>15,974,158</u>	<u>15,910,724</u>
NET ASSETS				
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
TOTAL NET ASSETS	<u>21,043,434</u>	<u>24,750,226</u>	<u>45,793,660</u>	<u>44,167,838</u>
TOTAL LIABILITIES AND NET ASSETS	<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 Grants and Contributions		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
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)
TOTAL GOVERNMENTAL ACTIVITIES	8,723,743	400,186	1,145,990	-	(5,068,207)	-	(4,421,043)
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
TOTAL BUSINESS-TYPE ACTIVITIES	14,193,691	-	1,657,139	-	-	3,733,596	3,482,714
TOTAL PRIMARY GOVERNMENT	\$22,917,434	\$ 400,186	\$2,803,129	-	(5,068,207)	3,733,596	(938,329)
GENERAL REVENUES							
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)	-
TOTAL GENERAL REVENUES AND TRANSFERS					4,217,231	(1,256,798)	2,960,433
CHANGE IN NET ASSETS					(850,976)	2,476,798	1,625,822
NET ASSETS, BEGINNING OF YEAR					21,894,410	22,273,428	41,211,395
NET ASSETS, END OF YEAR					\$21,043,434	\$24,750,226	\$44,167,838

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
ASSETS					
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
TOTAL ASSETS	\$ 1,988,463	\$ 3,945,098	\$ 322,529	\$ 6,256,090	\$ 9,916,230
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
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
TOTAL LIABILITIES	1,543,504	54,031	-	1,597,535	2,042,774
FUND BALANCES:					
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
TOTAL FUND BALANCES	444,959	3,891,067	322,529	4,658,555	7,873,456
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,988,463	\$ 3,945,098	\$ 322,529	\$ 6,256,090	\$ 9,916,230

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
REVENUES					
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
TOTAL REVENUES	<u>5,220,704</u>	<u>1,144,856</u>	<u>149,170</u>	<u>6,514,730</u>	<u>6,261,530</u>
EXPENDITURES					
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	631,893	-	-	631,893	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
TOTAL EXPENDITURES	<u>6,924,392</u>	<u>4,048,374</u>	<u>36,541</u>	<u>11,009,307</u>	<u>9,576,109</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,703,688)</u>	<u>(2,903,518)</u>	<u>112,629</u>	<u>(4,494,577)</u>	<u>(3,314,579)</u>
OTHER FINANCING SOURCES (USES)					
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)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,826,000</u>	<u>(548,648)</u>	<u>2,324</u>	<u>1,279,676</u>	<u>6,254,895</u>
NET CHANGE IN FUND BALANCES	122,312	(3,452,166)	114,953	(3,214,901)	2,940,316
FUND BALANCES, BEGINNING OF YEAR	322,647	7,343,233	207,576	7,873,456	4,933,140
FUND BALANCES, END OF YEAR	<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. (786,065)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (850,976)

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>
REVENUES			
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
TOTAL REVENUES	<u>5,209,156</u>	<u>5,220,704</u>	<u>11,548</u>
EXPENDITURES			
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)
TOTAL EXPENDITURES	<u>7,374,505</u>	<u>6,924,392</u>	<u>450,113</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,165,349)</u>	<u>(1,703,688)</u>	<u>461,661</u>
OTHER FINANCING SOURCES (USES)			
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)
TOTAL OTHER FINANCING SOURCES	<u>2,165,349</u>	<u>1,826,000</u>	<u>(339,349)</u>
NET CHANGE IN FUND BALANCE	-	122,312	122,312
FUND BALANCE, BEGINNING OF YEAR	<u>563,975</u>	<u>322,647</u>	<u>(241,328)</u>
FUND BALANCE, END OF YEAR	<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
ASSETS				
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>
TOTAL ASSETS	<u>\$ 17,244,240</u>	<u>\$ 17,771,709</u>	<u>\$ 35,015,949</u>	<u>\$ 32,676,439</u>
LIABILITIES AND NET ASSETS				
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>
TOTAL LIABILITIES	<u>7,016,481</u>	<u>3,249,242</u>	<u>10,265,723</u>	<u>10,403,011</u>
NET ASSETS				
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
TOTAL NET ASSETS	<u>10,227,759</u>	<u>14,522,467</u>	<u>24,750,226</u>	<u>22,273,428</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,244,240</u>	<u>\$ 17,771,709</u>	<u>\$ 35,015,949</u>	<u>\$ 32,676,439</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
OPERATING REVENUES				
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>
OPERATING EXPENSES				
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>
OPERATING INCOME	<u>1,959,087</u>	<u>443,530</u>	<u>2,402,617</u>	<u>2,418,854</u>
NONOPERATING REVENUES (EXPENSES)				
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>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<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
CHANGE IN NET ASSETS	<u>24,641</u>	<u>2,452,157</u>	<u>2,476,798</u>	<u>1,256,957</u>
NET ASSETS, BEGINNING OF YEAR	<u>10,203,118</u>	<u>12,070,310</u>	<u>22,273,428</u>	<u>21,016,471</u>
NET ASSETS, END OF YEAR	<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
CASH FLOWS FROM OPERATING ACTIVITIES:				
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)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,223,702</u>	<u>934,286</u>	<u>3,157,988</u>	<u>3,064,860</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
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)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(2,147,682)</u>	<u>845,405</u>	<u>(1,302,277)</u>	<u>(2,390,346)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
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)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(278,287)</u>	<u>(2,235,357)</u>	<u>(2,513,644)</u>	<u>(1,735,581)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(192)	-	(192)	-
Investment income	458	21	479	2,396
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>266</u>	<u>21</u>	<u>287</u>	<u>2,396</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(202,001)</u>	<u>(455,645)</u>	<u>(657,646)</u>	<u>(1,058,671)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>278,944</u>	<u>521,129</u>	<u>800,073</u>	<u>1,858,744</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 76,943</u>	<u>\$ 65,484</u>	<u>\$ 142,427</u>	<u>\$ 800,073</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
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	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,223,702</u>	<u>\$ 934,286</u>	<u>\$ 3,157,988</u>	<u>\$ 3,064,860</u>
Noncash capital and related financing activities:				
Contributions of capital assets from developers	\$ -	\$ 239,400	\$ 239,400	\$ 582,642
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:				
Cash and cash equivalents	\$ 29,047	\$ 65,284	\$ 94,331	\$ 542,256
Meter deposits, restricted	47,896	200	48,096	257,817
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 76,943</u>	<u>\$ 65,484</u>	<u>\$ 142,427</u>	<u>\$ 800,073</u>

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

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	-	926,673
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)	937,869	(1,301,344)
Less investment expense	88,305	80,893
Net Investment Income (loss)	849,564	(1,382,237)
TOTAL ADDITIONS AND INVESTMENT INCOME (LOSSES)	849,564	(455,564)
DEDUCTIONS		
Benefits paid	249,094	215,797
Administrative expenses	1,823	6
TOTAL DEDUCTIONS	250,917	215,803
CHANGE IN NET ASSETS	1,611,767	(671,367)
NET ASSETS, BEGINNING OF YEAR	6,438,967	7,110,334
NET ASSETS, END OF YEAR	\$ 8,050,734	\$ 6,438,967

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:

	Beginning Balance	Increases	Decreases	Ending Balance
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>-</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>-</u>	<u>6,425,261</u>
Total Capital Assets Being Depreciated, Net	<u>26,197,783</u>	<u>1,736,950</u>	<u>-</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>
Governmental Activities:				
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>
TOTAL	<u>\$3,711,138</u>	<u>\$ 345,253</u>	<u>\$ 424,223</u>	<u>\$3,632,168</u>
Business-type Activities:				
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>
TOTAL	<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>
TOTAL	<u>\$ 3,464,465</u>	<u>\$ 3,464,465</u>

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

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

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)
POLICE						
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%
FULL-TIME EMPLOYEE						
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

	<u>Municipal Street Aid Fund</u>	<u>S.A.L.L.E. Fund</u>	<u>E.I.D.E. Fund</u>	<u>Resource Officer Fund</u>	<u>Forfeiture Fund</u>	<u>Totals</u>
ASSETS						
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>
TOTAL ASSETS	<u>\$ 262,774</u>	<u>\$ 10,663</u>	<u>\$ 1,790</u>	<u>\$ 36,042</u>	<u>\$ 11,260</u>	<u>\$ 322,529</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:						
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>
TOTAL FUND BALANCES	<u>262,774</u>	<u>10,663</u>	<u>1,790</u>	<u>36,042</u>	<u>11,260</u>	<u>322,529</u>
TOTAL LIABILITIES AND FUND BALANCES	<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
REVENUES						
Intergovernmental	\$ 113,603	\$ 8,625	\$ 5,466	\$ 19,892	\$ 355	\$ 147,941
Investment income	1,229	-	-	-	-	1,229
TOTAL REVENUES	<u>114,832</u>	<u>8,625</u>	<u>5,466</u>	<u>19,892</u>	<u>355</u>	<u>149,170</u>
EXPENDITURES						
Current:						
Public safety - police	-	5,836	6,688	11,803	9,692	34,019
Public works	2,522	-	-	-	-	2,522
TOTAL EXPENDITURES	<u>2,522</u>	<u>5,836</u>	<u>6,688</u>	<u>11,803</u>	<u>9,692</u>	<u>36,541</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>112,310</u>	<u>2,789</u>	<u>(1,222)</u>	<u>8,089</u>	<u>(9,337)</u>	<u>112,629</u>
OTHER FINANCING SOURCES						
Transfers in	2,324	-	-	-	-	2,324
TOTAL OTHER FINANCING SOURCES	<u>2,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,324</u>
NET CHANGE IN FUND BALANCES	114,634	2,789	(1,222)	8,089	(9,337)	114,953
FUND BALANCES, BEGINNING OF YEAR	<u>148,140</u>	<u>7,874</u>	<u>3,012</u>	<u>27,953</u>	<u>20,597</u>	<u>207,576</u>
FUND BALANCES, END OF YEAR	<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
ASSETS				
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>
TOTAL ASSETS	<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>
LIABILITIES AND NET ASSETS				
LIABILITIES	\$ 4,653	\$ 7,009	\$ 11,662	\$ -
NET ASSETS				
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>
TOTAL LIABILITIES AND NET ASSETS	<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
Governmental Activities						
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
Business-type Activities						
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
Primary government						
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
Expenses						
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>
Program Revenues						
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
Net (expense)/revenue						
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>
General Revenues and Other Changes in Net Assets						
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>
Change in Net Assets						
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
General Fund										
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	<u>\$ 444,959</u>	<u>\$ 322,647</u>	<u>\$ 563,975</u>	<u>\$ 887,715</u>	<u>\$ 772,989</u>	<u>\$3,027,711</u>	<u>\$ 798,518</u>	<u>\$7,842,981</u>	<u>\$7,112,651</u>	<u>\$5,943,177</u>
All other governmental funds										
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	<u>\$4,213,596</u>	<u>\$7,550,809</u>	<u>\$4,369,165</u>	<u>\$3,389,020</u>	<u>\$3,207,934</u>	<u>\$4,297,898</u>	<u>\$4,331,835</u>	<u>\$ 441,860</u>	<u>\$ 589,929</u>	<u>\$ 480,845</u>
Total governmental fund balances	<u>\$4,658,555</u>	<u>\$7,873,456</u>	<u>\$4,933,140</u>	<u>\$4,276,735</u>	<u>\$3,980,923</u>	<u>\$7,325,609</u>	<u>\$5,130,353</u>	<u>\$8,284,841</u>	<u>\$7,702,580</u>	<u>\$6,424,022</u>

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
Revenues										
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
Expenditures										
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)
Other financing sources (uses)										
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%	*	*	*
Total	\$ 188,458,100		23.28%	*		*

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%	*	*	*
Total	11,870		100.00%	*		*

* 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	-	-	-
General Fund Total	66.00	70.00	65.00	61.00	62.00	60.00	51.00	45.00	44.00	43.00
Public Utilities	9.00	9.00	9.00	8.00	9.00	7.00	7.00	7.00	6.00	5.00
Electric Fund Total	9.00	9.00	9.00	8.00	9.00	7.00	7.00	7.00	6.00	5.00
Public Utilities	4.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00
Water and Sewer Fund Total	4.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00
Total Staff	79.00	82.00	77.00	72.00	74.00	71.00	62.00	56.00	54.00	52.00

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
Public Safety										
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
Planning and Inspection										
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	*	*	*	*	*
Smyrna Public Library										
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
Water										
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	*
Electric										
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
U.S. DEPARTMENT OF JUSTICE										
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
TOTAL U.S. DEPARTMENT OF JUSTICE					994,726	868,098	-	994,726	994,726	126,628
U.S. DEPARTMENT OF TRANSPORTATION										
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
U.S. ENVIRONMENTAL PROTECTION AGENCY										
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)
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY					3,818,000	-	-	980,597	980,597	980,597
U.S. DEPARTMENT OF ENERGY										
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	-
U.S. DEPARTMENT OF HOMELAND SECURITY										
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	-
TOTAL FEDERAL AWARDS					\$ 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.

APPENDIX B

Form of Approving Opinion of Bond Counsel

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[FORM OF BOND COUNSEL OPINION]

\$7,715,000
TOWN OF SMYRNA, DELAWARE
GENERAL OBLIGATION BONDS,
SERIES 2011

OPINION

March 15, 2011

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as Bond Counsel in connection with the issuance by The Town of Smyrna, Delaware (the "Town") of its \$7,715,000 General Obligation Bonds, Series 2011 (the "Bonds"). The Bonds are dated the date hereof, are stated to mature and are subject to redemption, in whole or in part, at the times, in the manner and upon the terms as provided therein.

The Bonds are issued under and in accordance with the provisions to Chapter 176, Volume 74 Delaware Laws, as amended (the "Town Charter"), by Resolutions adopted by the Council of the Town at its September 20, 2010 and October 18, 2010 meetings, as supplemented by a Supplemental Resolution adopted on March 8, 2011 (collectively the "Resolutions") and approved by the Mayor, and pursuant to a public hearing held on October 18, 2010. The Bonds are being issued pursuant to a Paying Agent Agreement dated as of the date hereof (the "Paying Agent Agreement") between the Town and The Bank of New York Mellon, Woodland Park, New Jersey, as paying agent (the "Paying Agent") in order to: (a) refund the Town's General Obligation Notes, Series 2007A and Series 2007B; and (b) pay the costs and expenses incurred in connection with the issuance of the Bonds.

As Bond Counsel for the Town, we have examined, among other things: (a) all Delaware applicable law; (b) the Town Charter; (c) certified copies of the Resolutions; (d) an executed copy of the Paying Agent Agreement; (e) the executed Bonds; (f) representations of the Town relating to compliance with the Internal Revenue Code of 1986, as amended (the "Code"); (g) a Form 8038-G, Internal Revenue Service Information Return for Tax-Exempt Governmental Bond Issues; and (h) such certified proceedings and other papers as we deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing and under existing law, we are of the opinion that:

1. The Town is a municipality and political subdivision of the State of Delaware, and it has the power and authority within all applicable constitutional and legal limitations to issue the Bonds.
2. The Town has pledged its full faith and credit and taxing power for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Town is authorized to levy on all real property taxable by the Town such ad valorem taxes as may be necessary to pay the principal of and interest on the Bonds, without limitation as to rate or amount.
3. The Paying Agent Agreement and the Bonds have been duly authorized, executed and

delivered by the Town and constitute the legal, valid and binding obligations of the Town, enforceable in accordance with their terms, except as enforcement of the Bonds or Paying Agent Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and except as enforcement may also be subject to the exercise of judicial discretion in accordance with general principles of equity in appropriate cases.

4. Interest (including accrued original issue discount) on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings, and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Town comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The Town has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax.

We further call to your attention that the Code, subject to limited exceptions, denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or carry tax-exempt obligations, such as the Bonds. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations generally applies to those tax-exempt obligations acquired after August 7, 1986. In the case of "qualified tax-exempt obligations", however, a denial of twenty percent (20%) of the deduction will apply in lieu of the denial of one hundred percent (100%). A "qualified tax-exempt obligation" is a tax-exempt obligation which is designated as such by the issuer and is not a private activity bond (other than a qualified 501(c)(3) bond). An issuer and all other entities that must be aggregated with it pursuant to the Code ("Other Issuers") may not designate or issue more than \$10,000,000 of tax-exempt obligations during the calendar year. The Town has designated the Bonds as qualified tax-exempt obligations, and has represented to us that neither it nor any Other Issuers has issued or expects to issue more than \$10,000,000 of tax-exempt obligations (other than certain obligations not required to be taken into account under the Code) in the calendar year 2011. Based on such representations, it is our opinion that banks, thrift institutions and other financial institutions which purchase the Bonds may deduct eighty percent (80%) of their interest expense on indebtedness incurred to purchase or carry the Bonds pursuant to Sections 265(b) and 291(e)(1)(B) of the Code. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

5. Under existing statutes and so long as the interest on the Bonds is excluded from gross income for federal income tax purposes, it will also be excluded from taxable income for the purposes of personal and corporate income taxes imposed by the State of Delaware.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement dated March 8, 2011, relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

Saul Ewing LLP

APPENDIX C

Continuing Disclosure Agreement

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\$7,715,000
TOWN OF SMYRNA, DELAWARE
GENERAL OBLIGATION BONDS, SERIES 2011

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of March 15, 2011 (including any amendments or supplements hereto, the “**Disclosure Agreement**”) is executed and delivered by the Town of Smyrna, Delaware (as more fully defined below, the “**Issuer**”) in connection with the issuance of its General Obligation Bonds, Series 2011. The Issuer, intending to be legally bound, hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Holder from time-to-time of the Bonds (as defined below) and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. Unless the context clearly requires otherwise, the following capitalized terms shall have the meanings set forth below:

“**Additional Bonds**” shall mean any indebtedness of the Issuer issued subsequent to the 2011 Bonds which the Issuer has declared in writing to be covered by this Disclosure Agreement. No such written declaration shall be considered an amendment to this Disclosure Agreement for purposes of Section 9 hereof.

“**Annual Filing Date**” shall mean the first (1st) day of the eighth (8th) calendar month immediately following the end of the Issuer’s fiscal year.

“**Annual Financial Information**” shall mean the Issuer’s audited financial statements for the most recently completed fiscal year and annual updates of the financial information and operating data provided in the following Sections of the Official Statement for the 2011 Bonds:

<u>Item</u>	<u>Official Statement Page Reference</u>
FINANCIAL INFORMATION	
General Fund	25
Property Taxes	29-31
Net Assets	32
CAPITAL REQUIREMENTS AND DEBT MATTERS	
Debt Administration	38
Debt Service Requirements	39-41

“**Annual Report**” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“**Bonds**” shall mean the 2011 Bonds and Additional Bonds, if any.

“**Dissemination Agent**” shall mean any agent of the Issuer designated in writing by the Issuer which has filed with the Issuer a written acceptance of such designation.

“**EMMA**” shall mean the Electronic Municipal Market Access System maintained by the MSRB at <http://emma.msrb.org/>, which serves as the sole nationally recognized municipal securities information repository under the Rule.

“**Holder**” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“**Issuer**” shall mean the Town of Smyrna, Delaware, or any successor Obligated Person that assumes either by operation by law or by contract both (i) the obligation to pay debt service on the Bonds and (ii) the obligations of the Issuer under this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board, or any successor organization.

“**Notice Event**” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“**Obligated Person**” shall have the meaning set forth in the Rule, provided that the sole objective criteria used to select the Obligated Person shall be the entity obligated to repay all debt service with respect to the relevant Bonds.

“**Official Statement**” shall mean the final Official Statement relating to the 2011 Bonds or a Series of Additional Bonds, as applicable.

“**Participating Underwriter**” shall mean any of the original underwriters of any Series of Bonds required to comply with the Rule in connection with offering of such Bonds.

“**Repository**” shall mean each nationally recognized municipal securities information repository under the Rule. **As of the date hereof, the Securities and Exchange Commission has appointed the MSRB through EMMA to act as the sole Repository.** Any information filed in connection with this Disclosure Agreement shall be filed with EMMA at <http://emma.msrb.org/>, any State Repository and any future Repository as may be required under the Rule.

“**Rule**” shall mean Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as heretofore amended, and as such Rule may be hereafter amended from time-to-time.

“**State Repository**” shall mean any public or private repository or entity designated by the State of Delaware as a state information repository for the purpose of the Rule and with which the Issuer is legally required to file the Annual Report. Currently, there is no State Repository in Delaware. The list of state information repositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Repository.

“**2011 Bonds**” shall mean the Issuer’s \$7,715,000 aggregate principal amount General Obligation Bonds, Series 2011 dated March 15, 2011.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Annual Filing Date, provide to the MSRB via EMMA an Annual Report which is consistent with the requirements of

Section 4 of this Disclosure Agreement. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent, if any. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided however that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide the Annual Report to the Repository by the date required in subsection (a), a Notice Event pursuant to Section 5(a)(15) shall be deemed to have occurred and the Issuer shall report to the Repository electronically in accordance with the provisions of Section 5(b) hereof.

(c) The Dissemination Agent, if any, shall: (i) determine each year prior to the Annual Filing Date the name and address of each Repository; and (ii) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing each Repository to which it was provided.

(d) Audited financial statements of the Issuer not submitted as part of the Annual Report shall be provided to the Repository, if and when available to the Issuer, and in any event not more than thirty (30) days after receipt thereof from the Issuer's auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the Issuer shall provide in lieu thereof, when available, unaudited financial statements for the relevant fiscal year.

(e) The Issuer shall promptly provide written notice of any change in its fiscal year to the MSRB and to each Repository.

Section 4. Content of Annual Reports.

(a) The Issuer's Annual Report shall contain or incorporate by reference the Annual Financial Information including audited financial statements with respect to the relevant fiscal year: [(i) combined statement of revenues, expenditures and changes in fund balance for the General Fund; (ii) real estate tax revenues by source; (iii) assessed value and estimated actual value of taxable property; (iv) property tax rates – all overlapping governments; (v) Town of Smyrna principal taxpayers; (vi) property tax levies and collections; (vii) net assets; (viii) debt administration – outstanding loans; (ix) debt service requirements; (x) ratios of outstanding debt by type and ratios of general bonded debt outstanding; (xi) direct and overlapping governmental activities debt; and (xii) legal debt margin information.]

(b) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to any Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) If any Annual Financial Information can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the Issuer under this Section 4, provided however that the Issuer shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

Section 5. Reporting of Notice Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non payment-related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of Holder, if material;
8. Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of any Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer (for the purposes of the event identified in subsection 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

15. Failure to provide annual financial information as required.

(b) Upon the occurrence of a Notice Event, the Issuer shall file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB via EMMA in a timely manner not in excess of ten (10) Business Days after the occurrence of the Notice Event.

Section 6. Accounting Standards. The financial statements described in Section 4(a)(i) above shall be audited in accordance with generally accepted accounting principles applicable in the preparation of financial statements of the Issuer as promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body, as applicable (“GAAP”), and shall also comply with applicable federal and state auditing statutes, regulations, standards and/or guidelines. The Issuer may from time-to-time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal and state statutes, regulations, standards and/or guidelines. Any such modification of accounting standards or principles to conform to changes in either GAAP or applicable federal or state auditing statutes, regulations, standards or guidelines shall not constitute an amendment to this Disclosure Agreement within the meaning of Section 9 hereof, but such modifications shall be disclosed in the first Annual Report to be provided subsequent to such modifications.

Section 7. Termination of Reporting Obligation. The Issuer’s obligations under this Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or (b) the assumption by a successor Obligated Person of all of the obligations of the prior Obligated Person both hereunder and under the Bonds. The prior Issuer shall provide timely written notice to each Repository of any termination of its obligations hereunder.

Section 8. Dissemination Agent. The Issuer may, from time-to-time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendments. (a) Notwithstanding any other provision of this Disclosure Agreement, the Issuer may modify or amend this Disclosure Agreement. The Issuer acknowledges and agrees that the current SEC interpretation of the Rule requires satisfaction of the following preconditions for any amendment:

(i) the modification or amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the Issuer, or change in the type of business conducted by the Issuer;

(ii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Bonds, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and

(iii) the modification or amendment does not materially adversely affect the interests of Holders, as determined either by a party unaffiliated with the Issuer (such as the Paying Agent or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

(b) The Issuer shall report any modification or amendment of this Disclosure Agreement as required by the Rule. To the extent required by the Rule, the Issuer shall include as a component of the first Annual Report to be provided subsequent to the relevant amendment, a copy of the amendment, together with a notice explaining in narrative form both (i) the reasons for the amendment and (ii) the impact of the change in the type of operating data or financial information being provided. To the extent required by the Rule, if the amendment relates to changes in accounting principles to be followed in preparing financial statements, the first Annual Report to be provided subsequent to the relevant amendment shall also include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles and a qualitative (and to the extent reasonably feasible, quantitative) discussion of the differences in the accounting principles and the impact of the change in the accounting principles upon the presentation of the financial information. Written notice of any such change in accounting principles shall be provided in a timely fashion to each Repository.

(c) Neither a supplement to this Disclosure Agreement to declare that it is applicable to Additional Bonds or a modification of accounting principles or standards pursuant to Section 6 shall be considered an amendment for purposes of this Section 9.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

Section 11. Submission of Information to the MSRB. The information required to be disclosed pursuant to this Disclosure Agreement shall be submitted to the MSRB through EMMA. Subject to future changes in submission rules and regulations, such submissions shall be provided to the MSRB, through EMMA, in portable document format (“PDF”) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. Such PDF files shall be word-searchable (allowing the user to search for specific terms used within the document through a search or find function available in a software package).

Subject to future changes in submission rules and regulations, at the time that such information is submitted through EMMA, the Issuer, or any Dissemination Agent engaged by the Issuer, shall also provide to the MSRB information necessary to accurately identify the category of information being provided and other identifying descriptions required by MSRB rules and regulations.

Section 12. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Paying Agent, any Participating Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bonds or any document relating to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance; provided however that nothing herein shall limit any Holder’s rights under applicable federal securities law.

Section 13. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or

invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision or the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

Section 14. Entire Agreement. This Disclosure Agreement contains the entire agreement of the Issuer with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto, provided however that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

Section 15. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

Section 16. Beneficiaries. This Disclosure Agreement is being entered into solely for the benefit of the Participating Underwriters and Holders from time-to-time of the Bonds, and nothing in this Disclosure Agreement expressed or implied is intended to or shall be construed to give to any other person or entity any legal or equitable right, remedy or claim under or in respect of this Disclosure Agreement or any covenants, conditions or provisions contained herein.

Section 17. Governing Law. This Disclosure Agreement shall be deemed to be a contract made under the laws of the State of Delaware, and all provisions hereof shall be governed and construed in accordance with the laws of the State of Delaware, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the TOWN OF SMYRNA, DELAWARE has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

TOWN OF SMYRNA, DELAWARE

By: _____
David S. Hugg, III,
Town Manager

APPENDIX D

Municipal Bond Insurance Specimen

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer