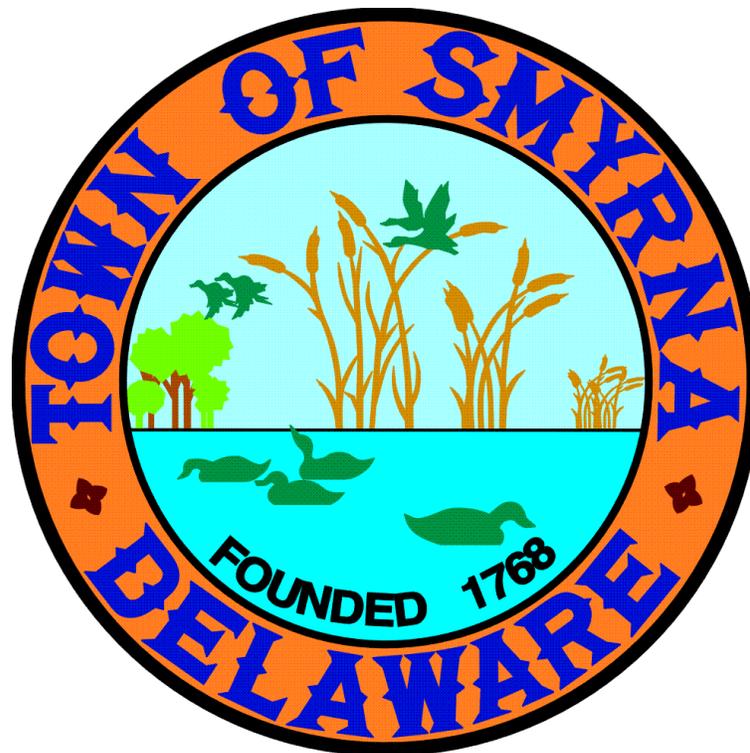


TOWN OF SMYRNA

Smyrna, Delaware
Kent County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2010



**TOWN OF SMYRNA
Smyrna, Delaware
Kent County**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2010

Prepared by:

Gary F. Stulir, Manager Accounting & Business Services

Business Office Staff

INTRODUCTORY SECTION



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Town of Smyrna

DAVID S. HUGG III, TOWN MANAGER

May 10, 2011

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, 2010. 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 10 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 LLP, an independent firm of certified public accountants as required by Section 8.4 of the Town Code. Barbacane, Thornton and Company LLP has provided an unqualified opinion on the Town's financial statements for the year ended December 31, 2010. 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").

- 4 -

REGINA I. BROWN • ANTHONY H. DEFEO • JEFFREY A. FLAIRTY • H. JOANNE MASTEN • ROBERT L. RIDDAGH • VALERIE M. WHITE
27 SOUTH MARKET STREET PLAZA • P.O. BOX 307 • SMYRNA, DELAWARE 19977

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 include 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 centers 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 named in the top 100 best places to retire and was listed in This Old House's 2009 Best Old House Neighborhoods. The Office of State Planning listed Smyrna as having the largest number of residential building permits of any municipality in the 2008 and 2009 years. Delaware Today magazine in the March 2011 issue recently conducted a survey and rated Delaware's 35 Towns based on the survey. This ranking placed the Town second in property tax rates and cultural offerings, third in shopping, dining and nightlife, and seventh in the quality of its school district. The Town currently occupies a land area of 5.8 square miles and serves a population of approximately 10,369 as of December 31, 2010. The official census count as of April 2010 places the Town's population at 10,023. This is a 76.5 percent increase from the year 2000 census count that placed the Town's population count at 5,679. Smyrna is now Delaware's fifth largest municipality, moving ahead of Milford and Seaford in the past decade.

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 and 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.

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

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 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 is open to the public.

Local Economy

The Town has continued to witness new development even during the recent downturn in the economy. Continued growth includes additional residential construction and new business leading to employment opportunities. Through the Town's Business Development Committee and economic development consultant, the Town has an aggressive program to retain and recruit businesses.

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

The current unemployment rate within Kent County is 8.2 percent, which remains unchanged from last year and is consistent with the State's unemployment rate of 8.2 percent. This rate is consistent with national and regional trends in today's struggling economy. The Town's population growth has climbed steadily and is expected to increase. The Town's current estimated population is 10,369, an increase from the April 2010 census which placed the Town's population at 10,023. 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 30 percent from the prior year. This decline is a reflection of the economic slowdown within the last year. Nevertheless, the Town issued approximately 497 building permits with a construction value of \$17.3 million, including 65 commercial permits and 74 residential permits. During 2010, the Town approved 50 new businesses.

Several new residential subdivisions continue to build or are yet to be built. The subdivisions that have not started but will start in the next five years include Ashland, Bergmont Woods, Brenford Station - Section 2, Christina Apartments, Graceville/Centerville, Greenbrier Estates, North Park, SBCL Smyrna

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

Properties, Watson Farm and Worthington. The subdivisions that continue to be built include Bon Ayre, Cambria Village, Hickory Hollow, Huntfield, Lake Como Woods, Sunnyside Village and Sunnyside Village Apartments.

Long-term Financial Planning

The Town's long-term financial planning analysis is part of its annual budgetary meetings. Specifically, long-term capital projects and significant operating costs are considered. The Town currently is overseeing two significant capital projects related to the wastewater and water infrastructure projects. Funding for these projects will be derived primarily from federal and state funding through a combination of grants and low-interest loans. Significant operating costs that will have a long-term impact on the Town are its personnel, healthcare and post-employment benefits. Personnel and healthcare costs pose as a major challenge for the Town as a result of the rising healthcare costs and overall increase in the costs of living for the country as a whole.

Post-employment benefits cost had a significant impact on the Town's financial condition as a result of the new Governmental Accounting Standards Board (GASB) Statement No. 45 ("GASB") requirement that became effective in 2009. The GASB now requires that governments disclose the actuarial valuation of its post-employment benefits. Governments are not required to fund this liability or make a contribution. However, the GASB standard requires that the government disclose these amounts in its financial statements. According to the GASB, governments may choose to advance fund their OPEB liability with an OPEB Annual Contribution.

The Town has a single-employer defined benefit healthcare plan that qualifies as a post-employment healthcare plan. The Plan provides medical insurance benefits to eligible retirees and their spouses. 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.

Major Initiatives

The Town completed the Downtown streetscape project which involved installing new brick sidewalks and new lamp posts and the placement of utilities underground. In addition, Phase I of the Town "four corners" project was completed in 2009 which involved significant upgrades to the electric, street, water and sewer infrastructure. The Town is in the process of planning for the Phase II project.

In 2010, 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 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 be both awarded and complete a water project under the stimulus program.

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

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 our 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 generally are 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.

Acknowledgments

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Smyrna for its comprehensive annual financial report for the fiscal year ended December 31, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable requirements.

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

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

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

The completion of this CAFR represents the second time the Town has prepared such a report and demonstrates a commitment to continue the 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 is also 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. Stullir
Manager Accounting & Business Services



David S. Hugg, III
Town Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Smyrna
Delaware

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

TOWN OF SMYRNA

List of Elected and Appointed Officials

December 31, 2010

Elected Officials

Patricia Stombaugh
Regina Brown
William C. Raynor
Valerie M. White
Anthony H. DeFeo
Robert L. Riddagh
Robert M. Novotny

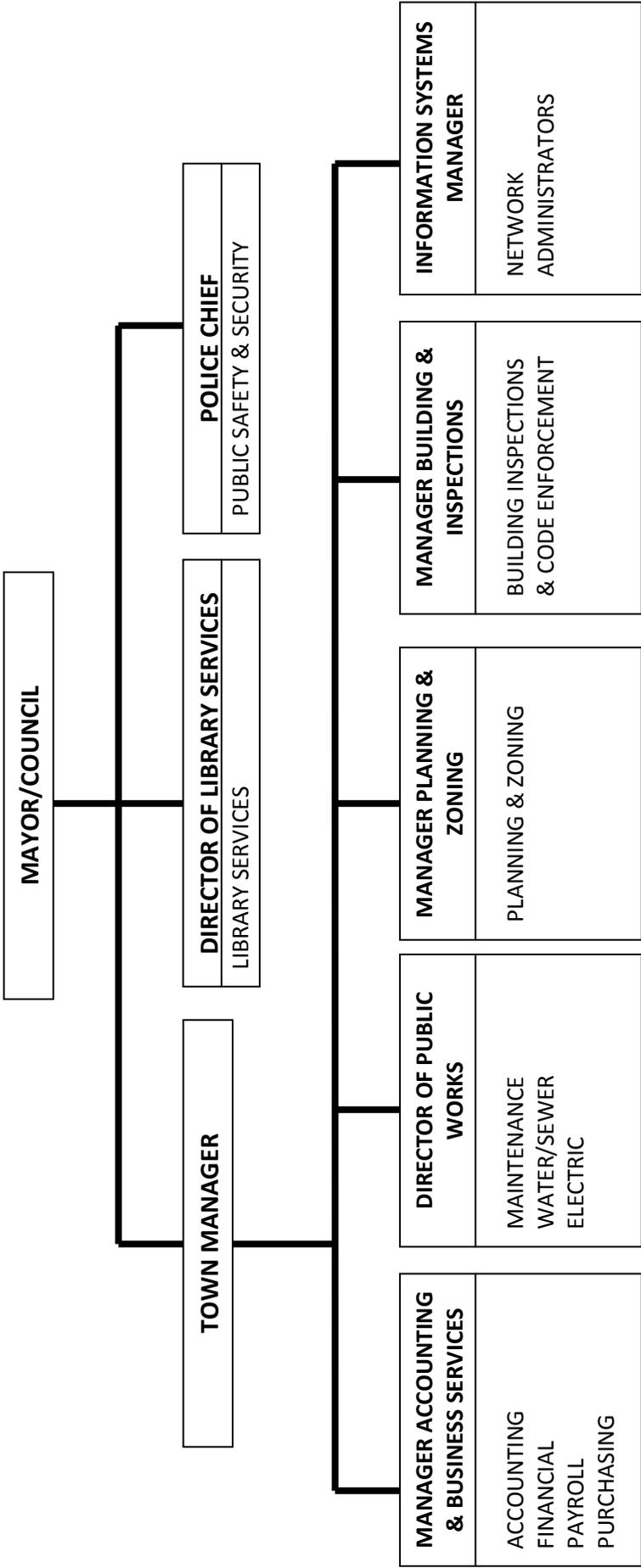
Mayor
Council Member – District 1
Council Member – District 2
Council Member – District 3
Council Member – District At Large
Council Member – District At Large
Council Member – District At Large

Appointed Officials

David S. Hugg
Wilbert Bordley
John T. Jaywork

Town Manager
Police Chief
Attorney

TOWN OF SMYRNA ORGANIZATIONAL CHART



FINANCIAL SECTION



Photo by Gene Shaner

INDEPENDENT AUDITORS' REPORT

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

T 302.478.8940
F 302.468.4001
www.btcpa.com

May 10, 2011

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, 2010, 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 2009 financial statements and, in our report dated May 11, 2010, 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, 2010, and the respective changes in its financial position and its cash flows, where applicable thereof, and the respective budgetary comparisons for the general fund 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 10, 2011, 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 15 - 24 and the schedule of funding progress - pension plans and post-employment health care benefit plans on pages 67 and 68 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 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 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 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 LLP
BARBACANE, THORNTON & COMPANY LLP

**Town of Smyrna
Management's Discussion and Analysis - Unaudited
December 31, 2010**

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, 2010. Readers are encouraged to consider the information presented here 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 62 percent of total revenues and program revenues 38 percent of total revenues (prior year, 54 percent and 46 percent, respectively). A significant portion of the general revenues increase is attributable to a general increase in property taxes received in 2010. The decrease in program revenues is attributed mostly to a decrease in federal funding from the Delaware Department of Transportation for the Town's streetscape improvement project which ended in 2009.
- In the governmental activities, current total expenses increased from \$8,723,743 in 2009 to \$8,770,069 in 2010. This represents less than a one percent increase. The Town implemented certain cost-cutting and loss proactive measures throughout the year in monitoring its expenses.
- Total revenues in the Town's General Fund increased from \$5,220,704 in 2009 to \$5,302,042 in 2010. This represents approximately a two percent increase. The increase is attributed to a general fund increase in property taxes received in 2010.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,752,341 which is a decrease from the prior year balance of \$4,658,555. This decrease is attributable to planned capital project expenditures for the Town's infrastructure projects and funding in several operational projects in the general fund.
- As of the end of the current fiscal year, the Town's business-type activities reported net assets of \$27,482,811, an increase of \$2,732,585 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 increased from the prior year due to increases in rates and demand in services.

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

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

Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2010

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 principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

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 25 and 26 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, 2010

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 27 to 30 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 32 to 34 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 statement 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 35 and 36 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 pages 37 to 66 of this report.

**Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2010**

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 69 to 72 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 \$46,632,371 at the close of the most recent calendar year. The table below summarizes the net assets of the Town at December 31, 2010 and 2009.

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets:						
Current and other assets	\$ 5,545,300	\$ 6,256,090	\$ 7,632,472	\$ 5,654,136	\$13,177,772	\$11,910,226
Capital assets	<u>19,857,665</u>	<u>20,495,779</u>	<u>31,500,708</u>	<u>29,361,813</u>	<u>51,358,373</u>	<u>49,857,592</u>
Total Assets	<u>25,402,965</u>	<u>26,751,869</u>	<u>39,133,180</u>	<u>35,015,949</u>	<u>64,536,145</u>	<u>61,767,818</u>
Liabilities:						
Long-term liabilities	4,861,800	4,234,705	7,619,462	7,052,590	12,481,262	11,287,295
Other liabilities	<u>1,391,605</u>	<u>1,473,730</u>	<u>4,030,907</u>	<u>3,213,133</u>	<u>5,422,512</u>	<u>4,686,863</u>
Total Liabilities	<u>6,253,405</u>	<u>5,708,435</u>	<u>11,650,369</u>	<u>10,265,723</u>	<u>17,903,774</u>	<u>15,974,158</u>
Net Assets:						
Invested in capital assets, net of related debt	16,779,039	17,305,604	23,321,078	22,173,690	40,100,117	39,479,294
Unrestricted (deficit)	(714,297)	(475,766)	2,255,968	1,728,246	1,541,671	1,252,480
Restricted	<u>3,084,818</u>	<u>4,213,596</u>	<u>1,905,765</u>	<u>848,290</u>	<u>4,990,583</u>	<u>5,061,886</u>
TOTAL NET ASSETS	<u>\$19,149,560</u>	<u>\$21,043,434</u>	<u>\$27,482,811</u>	<u>\$24,750,226</u>	<u>\$46,632,371</u>	<u>\$45,793,660</u>

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, \$1,541,671, 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, 2010

The Town's net assets increased by \$838,711 during the current year. This growth represents the degree to which increases in ongoing revenues such as property taxes, capital grants and contributions, and user fees 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 \$1,893,874. This decrease is mostly due to a decrease in capital grants received in 2009 for the Town's streetscape improvement project that was completed in 2009.

Business-type Activities. Business-type activities increased the Town's net assets by \$2,732,585. This was mostly due to an increase in capital grants for the Town's water and sewer infrastructure projects and an increase in the user fees and demand for services

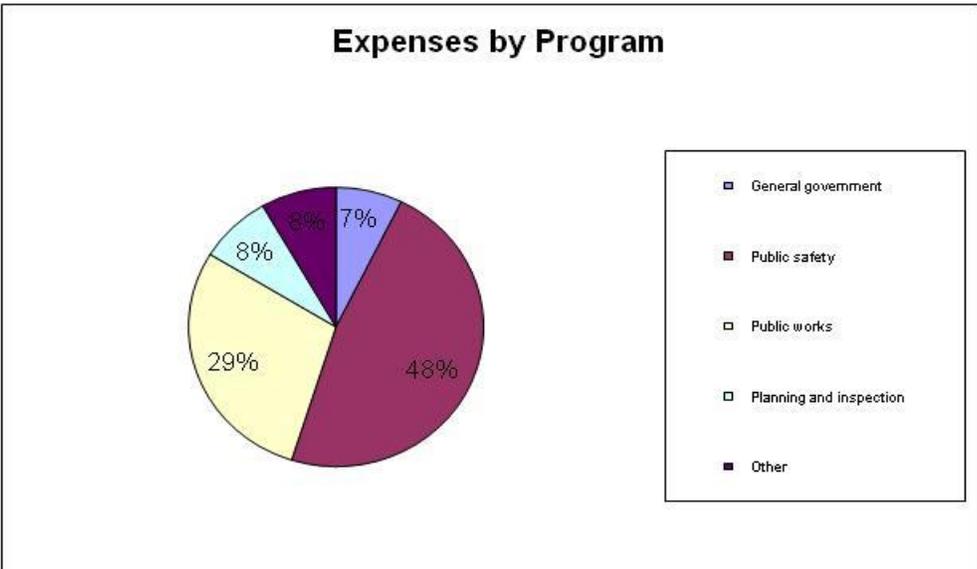
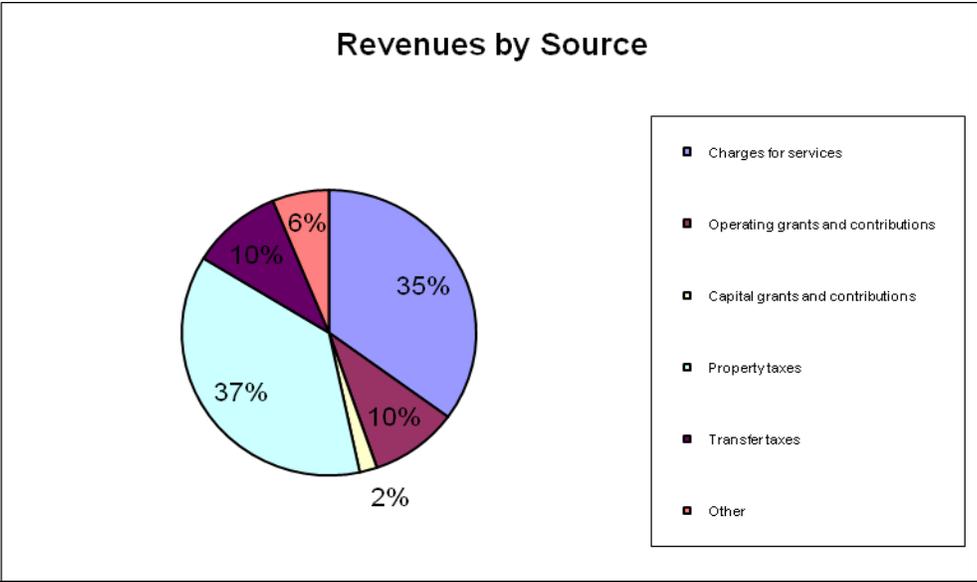
Changes in the net assets of the Town are highlighted in the following table:

STATEMENT OF CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
REVENUES						
Program revenues:						
Charges for services	\$ 2,016,418	\$ 2,109,360	\$17,285,080	\$16,270,148	\$19,301,498	\$18,379,508
Operating grants and contributions	485,541	400,186	-	-	485,541	400,186
Capital grants and contributions	107,875	1,145,990	2,342,920	1,657,139	2,450,795	2,803,129
General revenues:						
Property taxes	2,074,467	1,933,324	-	-	2,074,467	1,933,324
Transfer taxes	561,542	669,914	-	-	561,542	669,914
Franchise fees	143,993	132,249	-	-	143,993	132,249
Investment earnings	11,037	56,471	121	479	11,158	56,950
Other	193,559	167,996	-	-	193,559	167,996
TOTAL REVENUES	<u>5,594,432</u>	<u>6,615,490</u>	<u>19,628,121</u>	<u>17,927,766</u>	<u>25,222,553</u>	<u>24,543,256</u>
EXPENSES						
General government	639,478	991,556	-	-	639,478	991,556
Public safety	4,173,614	3,900,646	-	-	4,173,614	3,900,646
Public works	2,529,000	2,396,831	-	-	2,529,000	2,396,831
Planning and inspection	702,608	674,914	-	-	702,608	674,914
Library	245,271	290,558	-	-	245,271	290,558
Culture and recreation	325,927	308,638	-	-	325,927	308,638
Business park	11,155	11,370	-	-	11,155	11,370
Neighborhood housing rehabilitation	-	1,592	-	-	-	1,592
Interest on long-term debt	143,016	147,638	-	-	143,016	147,638
Electric	-	-	12,695,759	11,505,781	12,695,759	11,505,781
Water/sewer	-	-	2,918,014	2,687,910	2,918,014	2,687,910
TOTAL EXPENSES	<u>8,770,069</u>	<u>8,723,743</u>	<u>15,613,773</u>	<u>14,193,691</u>	<u>24,383,842</u>	<u>22,917,434</u>
Change in net assets before transfers	(3,175,637)	(2,108,253)	4,014,348	3,734,075	838,711	1,625,822
Transfers	1,281,763	1,257,277	(1,281,763)	(1,257,277)	-	-
CHANGE IN NET ASSETS	<u>(1,893,874)</u>	<u>(850,976)</u>	<u>2,732,585</u>	<u>2,476,798</u>	<u>838,711</u>	<u>1,625,822</u>
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$19,149,560</u>	<u>\$21,043,434</u>	<u>\$27,482,411</u>	<u>\$24,750,226</u>	<u>\$46,632,371</u>	<u>\$45,793,660</u>

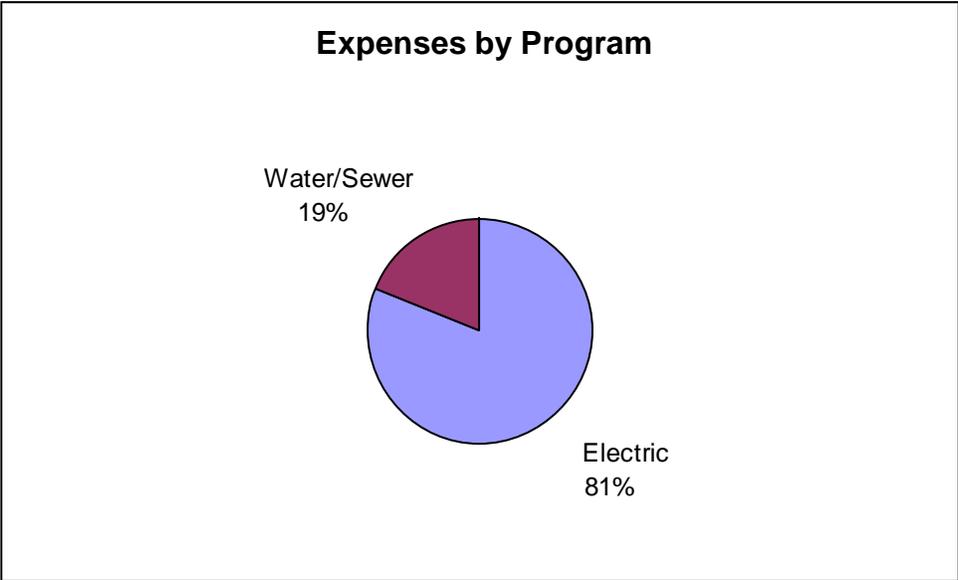
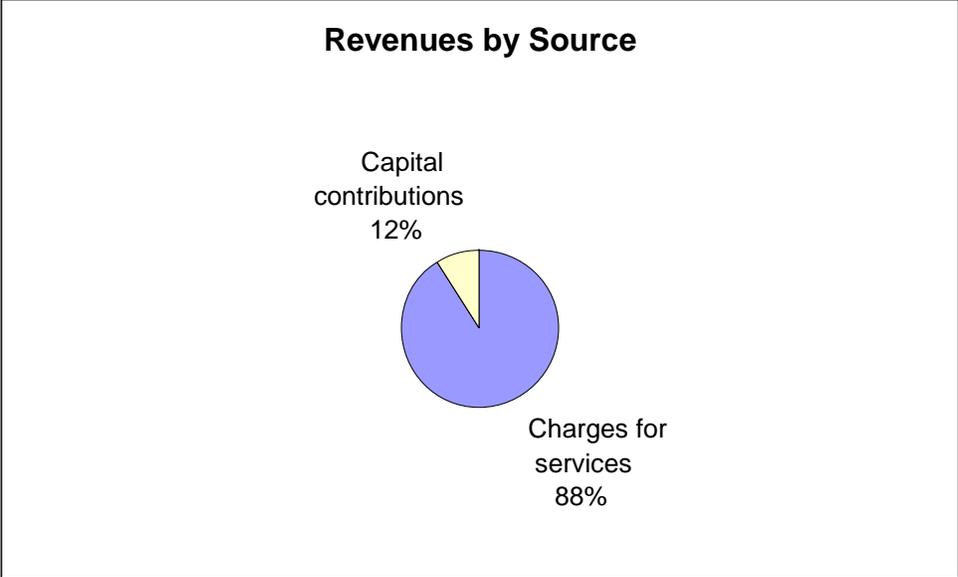
**Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2010**

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, 2010**

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, 2010**

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 \$3,752,341. The primary component of this figure is the fund balance of the Capital Reserve Fund at \$2,602,230, 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 \$667,523, of which \$641,742 was considered unreserved. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. As of December 31, 2010, unreserved, undesignated fund balance represented approximately eight percent of total general fund expenditures.

The fund balance of the Town's General Fund increased by \$222,564 during the current calendar year. This is an increase of 50 percent as compared to the prior year increase of 82 percent in fund balance. This increase is due mostly to the increase in transfers in from the proprietary funds.

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 \$2,255,968. The total growth in net assets for both funds was \$2,431,887 and \$300,698, 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 31. A summary of variations between budget amounts and actual results is as follows:

- There were no amendments to the Town's original 2010 budget.
- Actual revenues exceeded budgeted revenue by \$350,542, or six percent of the total revenue budget. This is due primarily to property taxes exceeding budgeted amounts by \$178,117.
- Actual expenditures were \$54,408 under budgeted amounts, or less than one percent of the total expenditure budget. As a result, fewer transfers from proprietary funds were necessary.

**Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2010**

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, 2010 amounts to \$51,358,373 (net of accumulated depreciation). The following table shows the breakdown of this figure.

CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,110,795	\$ 1,110,795	\$ 85,171	\$ 85,171	\$ 1,195,966	\$ 1,195,966
Construction-in-progress	34,280	31,627	1,024,091	1,341,909	1,058,371	1,373,536
Land improvements	353,782	377,673	-	-	353,782	377,673
Buildings and improvements	5,674,770	5,738,413	2,516,017	2,578,009	8,190,787	8,316,422
Infrastructure	11,429,839	11,863,486	27,619,439	25,037,792	39,049,278	36,901,278
Machinery and equipment	1,254,199	1,373,785	255,990	318,932	1,510,189	1,692,717
	<u>\$ 19,857,665</u>	<u>\$ 20,495,779</u>	<u>\$ 31,500,708</u>	<u>\$ 29,361,813</u>	<u>\$ 51,358,373</u>	<u>\$ 49,857,592</u>

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

- Administration building generator totaling \$72,600
- Streetscape improvement project totaling 127,470
- Municipal complex project totaling \$69,660

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

- Town's water distribution project totaling \$1,949,888
- Town's waste water system project totaling \$994,282
- General electrical installation costs due to continued growth in Smyrna totaling \$109,775

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

	Outstanding Debt Loans Payable	
	2010	2009
Governmental activities	\$ 3,078,626	\$ 3,190,175
Business-type activities	8,179,630	7,188,123
TOTAL	<u>\$ 11,258,256</u>	<u>\$ 10,378,298</u>

Additional information on the Town's long-term debt can be found in Note 5 of this report.

**Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2010**

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 \$37,602,904 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 2011 budget in December 2010. This budget was amended in February 2011. This budget totaled \$6,047,644 in revenues (includes indirect costs of \$1,164,644) and \$8,579,661 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, whose unemployment rate for the county was reported at 8.2 percent in December 2010. The state's unemployment rate also was reported at 8.2 percent.
- The Town's total population at December 2010 is currently estimated at 10,369, an increase from the 2010 census, which placed the Town's total population at 10,023.
- The Town's occupancy rate for its central business district is currently 95 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, 2010
(With Summarized Comparative Data for December 31, 2009)

	Governmental Activities	Business-type Activities	Totals
	2010	2009	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 242,845	\$ 106,004	\$ 348,849
Investments	3,969,183	107,419	4,076,602
Taxes receivable	151,199	-	151,199
Accounts receivable	608,073	3,662,142	4,270,215
Grants receivable	78,982	-	78,982
Inventory	25,781	883,200	908,981
Due from other governments	-	2,295,955	2,295,955
Prepaid expenses	469,237	92,144	561,381
Restricted Assets:			
Meter deposits	-	485,608	485,608
Total Current Assets	<u>5,545,300</u>	<u>7,632,472</u>	<u>13,177,772</u>
Noncurrent Assets:			
Capital assets, net:			
Land	1,110,795	85,171	1,195,966
Construction-in-progress	34,280	1,024,091	1,058,371
Land improvements	353,782	-	353,782
Buildings and improvements	5,674,770	2,516,017	8,190,787
Infrastructure	11,429,839	27,619,439	39,049,278
Machinery and equipment	1,254,199	255,990	1,510,189
Total Noncurrent Assets	<u>19,857,665</u>	<u>31,500,708</u>	<u>51,358,373</u>
TOTAL ASSETS	<u>\$ 25,402,965</u>	<u>\$ 39,133,180</u>	<u>\$ 64,536,145</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 248,640	\$ 1,601,190	\$ 1,849,830
Accrued salaries and benefits	102,316	26,323	128,639
Accrued interest	5,965	18,108	24,073
Developer deposits	166,058	1,055,474	1,221,532
Deferred revenue	708,642	712,309	1,420,951
Loans payable	115,881	829,183	945,064
Accrued compensated absences	44,103	11,354	55,457
Meter deposits	-	485,608	485,608
Total Current Liabilities	<u>1,391,605</u>	<u>4,030,907</u>	<u>5,422,512</u>
Noncurrent Liabilities:			
Portions due or payable after one year	340,782	102,185	442,967
Accrued compensated absences	1,558,273	166,830	1,725,103
Post-employment benefits	2,962,745	7,350,447	10,313,192
Loans payable	4,861,800	7,619,462	12,481,262
Total Noncurrent Liabilities	<u>6,253,405</u>	<u>11,650,369</u>	<u>17,903,774</u>
TOTAL LIABILITIES	<u>\$ 1,391,605</u>	<u>\$ 4,030,907</u>	<u>\$ 5,422,512</u>
NET ASSETS			
Invested in capital assets, net of related debt	16,779,039	23,321,078	39,479,294
Unrestricted (deficit)	(714,297)	2,255,968	1,541,671
Restricted for police	66,301	-	66,301
Restricted for public works	416,287	-	416,287
Restricted for capital projects	2,602,230	1,905,765	4,508,000
Total NET ASSETS	<u>19,149,560</u>	<u>27,482,811</u>	<u>46,632,371</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,402,965</u>	<u>\$ 39,133,180</u>	<u>\$ 64,536,145</u>

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

TOWN OF SMYRNA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants and Contributions		Governmental Activities	Business-type Activities	Totals
		Charges for Services	Capital Grants and Contributions			
GOVERNMENTAL ACTIVITIES						
General government	\$ 639,478	\$ 312,924	\$ -	\$ (326,554)	\$ -	\$ (451,012)
Public safety	4,173,614	95,411	267,993	(3,810,210)	-	(3,571,716)
Public works	2,529,000	1,065,489	202,006	(1,153,630)	-	(237,798)
Planning and inspection	702,608	389,704	-	(312,904)	-	(167,073)
Library	245,271	152,890	15,542	(76,839)	-	(171,370)
Culture and recreation	325,927	-	-	(325,927)	-	(308,638)
Business park	11,155	-	-	(11,155)	-	(11,370)
Neighborhood housing rehabilitation	-	-	-	-	-	(1,592)
Interest on long-term debt	143,016	-	-	(143,016)	-	(147,638)
TOTAL GOVERNMENTAL ACTIVITIES	8,770,069	2,016,418	485,541	(6,160,235)	-	(5,068,207)
BUSINESS-TYPE ACTIVITIES						
Electric	12,695,759	13,832,744	-	-	1,345,043	2,126,865
Water/Sewer	2,918,014	3,452,336	-	-	2,669,184	1,606,731
TOTAL BUSINESS-TYPE ACTIVITIES	15,613,773	17,285,080	-	-	4,014,227	3,733,596
TOTAL PRIMARY GOVERNMENT	\$ 24,383,842	\$ 19,301,498	\$ 485,541	(6,160,235)	4,014,227	(1,334,611)
GENERAL REVENUES						
Taxes:						
Real estate taxes				2,074,467	-	1,933,324
Real estate transfer taxes				561,542	-	669,914
Franchise fees				143,993	-	132,249
Investment earnings				11,037	121	56,950
Miscellaneous				193,559	-	167,996
Transfers				1,281,763	(1,281,763)	-
TOTAL GENERAL REVENUES AND TRANSFERS				4,266,361	(1,281,642)	2,960,433
CHANGE IN NET ASSETS				(1,893,874)	2,732,585	1,625,822
NET ASSETS, BEGINNING OF YEAR				21,043,434	24,750,226	44,167,838
NET ASSETS, END OF YEAR				\$ 19,149,560	\$ 27,482,811	\$ 45,793,660

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

TOWN OF SMYRNA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(With Summarized Comparative Data for December 31, 2009)

	General	Capital Reserve Fund	Nonmajor Governmental Funds	Totals	
	2010	2009		2010	2009
ASSETS					
Cash and cash equivalents	\$ 152,529	\$ 21,492	\$ 68,824	\$ 242,845	\$ 120,215
Investments	1,099,460	2,534,941	334,782	3,969,183	5,151,712
Taxes receivable	151,199	-	-	151,199	290,263
Accounts receivable	535,473	72,600	-	608,073	437,246
Grants receivable	-	-	78,982	78,982	-
Due from other governments	-	-	-	-	155,303
Prepaid items	177,967	-	-	177,967	98,075
Inventory	25,781	-	-	25,781	3,276
TOTAL ASSETS	\$ 2,142,409	\$ 2,629,033	\$ 482,588	\$ 5,254,030	\$ 6,256,090
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 221,837	\$ 26,803	\$ -	\$ 248,640	\$ 244,269
Accrued salaries and benefits	146,419	-	-	146,419	84,994
Deferred revenue	940,572	-	-	940,572	1,098,974
Developer deposits	166,058	-	-	166,058	169,298
TOTAL LIABILITIES	1,474,886	26,803	-	1,501,689	1,597,535
FUND BALANCES:					
Unreserved	641,742	-	-	641,742	441,683
Reserved for police	-	-	66,301	66,301	59,755
Reserved for public works	-	-	416,287	416,287	262,774
Reserved for capital projects	-	2,602,230	-	2,602,230	3,891,067
Reserved for inventory	25,781	-	-	25,781	3,276
TOTAL FUND BALANCES	667,523	2,602,230	482,588	3,752,341	4,658,555
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,142,409	\$ 2,629,033	\$ 482,588	\$ 5,254,030	\$ 6,256,090

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, 2010**

TOTAL GOVERNMENTAL FUND BALANCES **\$ 3,752,341**

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. 19,857,665

Some of the Town's revenues will be collected after year end but are not available soon enough to pay for current period expenditures and therefore are deferred in the funds. 231,930

The net pension asset resulting from contributions in excess of the annual required contribution in 2010 (police and employee) is not a current financial resource, and, therefore, is not reported in the governmental funds.

Police Pension Plan	\$ 74,420	
Employee Pension Plan	<u>216,850</u>	291,270

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

Loans payable	\$(3,078,626)	
Post-employment benefits	(1,558,273)	
Accrued interest	<u>(5,965)</u>	(4,642,864)

Compensated absences that are not due and payable in the current period are not reported in the funds. (340,782)

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 19,149,560**

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, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Totals	
	2010	2010	2009	2010	2009
REVENUES					
Taxes:					
Property taxes	\$ 2,128,117	-	-	\$ 2,128,117	\$ 1,900,363
Transfer taxes	561,542	-	-	561,542	669,914
Special assessment/impact fees	286,527	-	-	286,527	470,676
Charges for services	1,091,512	-	-	1,091,512	1,070,184
Intergovernmental	381,171	-	-	716,691	1,547,005
Licenses, fees and permits	377,760	137,875	197,645	377,760	421,777
Fines and forfeits	87,287	-	-	87,287	62,553
Franchise fees	143,993	-	-	143,993	132,249
Investment income	517	10,171	349	11,037	56,471
Miscellaneous	243,616	-	-	243,616	183,538
TOTAL REVENUES	5,302,042	148,046	197,994	5,648,082	6,514,730
EXPENDITURES					
Current:					
General government	545,586	-	-	545,586	609,219
Public safety	3,628,849	-	33,135	3,661,984	3,253,942
Public works	1,809,802	-	4,800	1,814,602	1,661,782
Planning and inspection	695,978	-	-	695,978	631,693
Library	234,277	-	-	234,277	261,747
Culture and recreation	313,789	-	-	313,789	276,030
Business park	11,155	-	-	11,155	11,370
Neighborhood housing rehabilitation	-	-	-	-	1,592
Debt service:					
Principal	111,549	-	-	111,549	106,904
Interest	143,232	-	-	143,232	147,877
Capital outlays	-	303,907	-	303,907	4,047,151
TOTAL EXPENDITURES	7,494,217	303,907	37,935	7,836,059	11,009,307
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,192,175)	(155,861)	160,059	(2,187,977)	(4,494,577)
OTHER FINANCING SOURCES (USES)					
Refund of prior year expenditures	-	-	-	-	22,399
Transfers in	2,414,739	-	-	2,414,739	2,378,177
Transfers out	-	(1,132,976)	-	(1,132,976)	(1,120,900)
TOTAL OTHER FINANCING SOURCES (USES)	2,414,739	(1,132,976)	-	1,281,763	1,279,676
NET CHANGES IN FUND BALANCES	222,564	(1,288,837)	160,059	(906,214)	(3,214,901)
FUND BALANCES, BEGINNING OF YEAR	444,959	3,891,067	322,529	4,658,555	7,873,456
FUND BALANCES, END OF YEAR	\$ 667,523	\$ 2,602,230	\$ 482,588	\$ 3,752,341	\$ 4,658,555

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, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (906,214)

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 depreciation (\$976,150) exceeded capital outlays (\$338,036). (638,114)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues decreased by this amount this year. (53,650)

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. 111,549

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for the transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, assets are not recognized in governmental funds unless they represent current financial resources but are recognized in the statement of activities as they accrue. The following differences, therefore, occurred between the statement of activities and the governmental funds.

Compensated absences	\$ 101,211	
Net pension assets - Police Plan	74,420	
Net pension assets - Employee Plan	216,850	
Accrued interest	216	
Net OPEB obligation	<u>(800,142)</u>	<u>(407,445)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (1,893,874)

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

**TOWN OF SMYRNA
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
DECEMBER 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property taxes	\$ 1,950,000	\$ 1,950,000	\$ 2,128,117	\$ 178,117
Transfer taxes	600,000	600,000	561,542	(38,458)
Special assessment/impact fees	186,500	186,500	286,527	100,027
Charges for services	970,000	970,000	1,091,512	121,512
Intergovernmental	393,000	393,000	381,171	(11,829)
Licenses, fees and permits	540,000	540,000	377,760	(162,240)
Fines and forfeits	110,000	110,000	87,287	(22,713)
Franchise fees	132,000	132,000	143,993	11,993
Investment income	30,000	30,000	517	(29,483)
Miscellaneous	40,000	40,000	243,616	203,616
TOTAL REVENUES	<u>4,951,500</u>	<u>4,951,500</u>	<u>5,302,042</u>	<u>350,542</u>
EXPENDITURES				
Current:				
General government	677,677	677,677	545,586	132,091
Public safety	3,601,791	3,601,791	3,628,849	(27,058)
Public works	1,749,388	1,749,388	1,809,802	(60,414)
Planning and inspection	867,151	867,151	695,978	171,173
Library	292,094	292,094	234,277	57,817
Culture and recreation	348,524	348,524	313,789	34,735
Business park	12,000	12,000	11,155	845
Debt service:				
Principal	-	-	111,549	(111,549)
Interest	-	-	143,232	(143,232)
TOTAL EXPENDITURES	<u>7,548,625</u>	<u>7,548,625</u>	<u>7,494,217</u>	<u>54,408</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,597,125)</u>	<u>(2,597,125)</u>	<u>(2,192,175)</u>	<u>404,950</u>
OTHER FINANCING SOURCES				
Transfers in	2,597,125	2,597,125	2,414,739	(182,386)
TOTAL OTHER FINANCING SOURCES	<u>2,597,125</u>	<u>2,597,125</u>	<u>2,414,739</u>	<u>(182,386)</u>
NET CHANGES IN FUND BALANCE	-	-	222,564	222,564
FUND BALANCE, BEGINNING OF YEAR	<u>563,975</u>	<u>563,975</u>	<u>444,959</u>	<u>(119,016)</u>
FUND BALANCE, END OF YEAR	<u>\$ 563,975</u>	<u>\$ 563,975</u>	<u>\$ 667,523</u>	<u>\$ 103,548</u>

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

TOWN OF SMYRNA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2010
(With Summarized Comparative Data for December 31, 2009)

	Electric Fund	Water and Sewer Fund	Totals	
			2010	2009
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 40,418	\$ 65,586	\$ 106,004	\$ 94,331
Investments	107,419	-	107,419	107,385
Due from other governments	-	2,295,955	2,295,955	998,471
Accounts receivable	3,188,100	474,042	3,662,142	3,359,605
Inventory	848,581	34,619	883,200	1,024,789
Prepaid items	62,200	29,944	92,144	21,459
Restricted Assets:				
Meter deposits	484,608	1,000	485,608	48,096
Total Current Assets	4,731,326	2,901,146	7,632,472	5,654,136
Noncurrent Assets:				
Capital assets, net	12,731,031	18,769,677	31,500,708	29,361,813
TOTAL ASSETS	\$ 17,462,357	\$ 21,670,823	\$ 39,133,180	\$ 35,015,949
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 1,089,485	\$ 511,705	\$ 1,601,190	\$ 1,317,681
Accrued salaries and benefits	17,676	8,647	26,323	15,900
Accrued interest	7,942	10,166	18,108	17,493
Developer deposits	1,055,474	-	1,055,474	1,436,954
Deferred revenue	3,667	-	3,667	48,666
Accrued compensated absences	6,498	4,856	11,354	11,201
Current portion of loans payable	169,070	660,113	829,183	317,814
Current Liabilities Payable from Restricted Assets:				
Meter deposits	484,608	1,000	485,608	48,096
Total Current Liabilities	2,834,420	1,196,487	4,030,907	3,213,805
Noncurrent Liabilities:				
Accrued compensated absences	58,478	43,708	102,185	100,809
Post employment benefits	111,220	55,610	166,830	80,800
Loans payable	3,929,783	3,420,664	7,350,447	6,870,309
Total Noncurrent Liabilities	4,099,481	3,519,982	7,619,462	7,051,918
TOTAL LIABILITIES	6,933,900	4,716,469	11,650,369	10,265,723
NET ASSETS				
Invested in capital assets, net of related debt	8,632,178	14,688,900	23,321,078	22,173,690
Restricted for capital projects	-	1,905,765	1,905,765	848,290
Unrestricted	1,896,279	359,689	2,255,968	1,728,246
TOTAL NET ASSETS	10,528,457	16,954,354	27,482,811	24,750,226
TOTAL LIABILITIES AND NET ASSETS	\$ 17,462,357	\$ 21,670,823	\$ 39,133,180	\$ 35,015,949

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, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	Electric Fund	Water and Sewer Fund	Totals	
			2010	2009
OPERATING REVENUES				
User service charges	\$ 13,710,761	\$ 3,416,201	\$ 17,126,962	\$ 16,083,200
Other operating revenue	121,983	36,135	158,118	186,948
Total Operating Revenues	<u>13,832,744</u>	<u>3,452,336</u>	<u>17,285,080</u>	<u>16,270,148</u>
OPERATING EXPENSES				
Electric purchased	10,016,793	-	10,016,793	8,958,927
Sewer charges	-	1,154,711	1,154,711	1,020,151
System maintenance	62,232	155,934	218,166	208,231
Salaries and wages	827,226	568,415	1,395,641	1,324,128
Employee benefits	507,104	323,985	831,089	772,508
Depreciation	574,773	422,904	997,677	914,636
Supplies and maintenance	198,150	67,557	265,707	164,548
Truck and vehicles	36,259	16,402	52,661	35,184
Insurance	30,309	12,881	43,190	58,250
Administration expenses	65,201	49,433	114,634	142,181
Professional services	133,740	71,903	205,643	268,787
Total Operating Expenses	<u>12,451,787</u>	<u>2,844,125</u>	<u>15,295,912</u>	<u>13,867,531</u>
OPERATING INCOME	<u>1,380,957</u>	<u>608,211</u>	<u>1,989,168</u>	<u>2,402,617</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	101	20	121	479
Interest expense	(198,972)	(73,889)	(272,861)	(281,160)
Stimulus Federal Funding	45,000	2,134,862	2,179,862	1,003,471
Intergovernmental	(45,000)	-	(45,000)	(45,000)
Total Nonoperating Revenues (Expenses)	<u>(198,871)</u>	<u>2,060,993</u>	<u>1,862,122</u>	<u>677,790</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,182,086</u>	<u>2,669,204</u>	<u>3,851,290</u>	<u>3,080,407</u>
Transfers in	2,000	35,629	37,629	1,086,288
Transfers out	(1,046,446)	(272,946)	(1,319,392)	(2,343,565)
Developer capital contributions	163,058	-	163,058	653,668
CHANGE IN NET ASSETS	<u>300,698</u>	<u>2,431,887</u>	<u>2,732,585</u>	<u>2,476,798</u>
NET ASSETS, BEGINNING OF YEAR	<u>10,227,759</u>	<u>14,522,467</u>	<u>24,750,226</u>	<u>22,273,428</u>
NET ASSETS, END OF YEAR	<u>\$ 10,528,457</u>	<u>\$ 16,954,354</u>	<u>\$ 27,482,811</u>	<u>\$ 24,750,226</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, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	Electric Fund	Water and Sewer Fund	Totals	
			2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:				
Received from customers	\$ 14,008,845	\$ 3,411,210	\$ 17,420,055	\$ 15,959,952
Paid to suppliers for goods and services	(10,518,647)	(1,243,444)	(11,762,091)	(10,785,563)
Paid to employees for services	(1,271,724)	(857,024)	(2,128,748)	(2,016,401)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,218,474</u>	<u>1,310,742</u>	<u>3,529,216</u>	<u>3,157,988</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	2,000	35,629	37,629	1,086,288
Transfers out	(1,046,446)	(272,946)	(1,319,392)	(2,343,565)
Grant-in-aid	(45,000)	-	(45,000)	(45,000)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,089,446)</u>	<u>(237,317)</u>	<u>(1,326,763)</u>	<u>(1,302,277)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Repayment of loans payable	(161,532)	(206,271)	(367,803)	(306,853)
Loan proceeds	-	1,359,310	1,359,310	-
Developer contributions and repayments of escrows	(208,332)	-	(208,332)	624,507
Acquisition and construction of capital assets	(156,774)	(2,979,798)	(3,136,572)	(2,552,802)
Stimulus federal funding	45,000	837,378	882,378	5,000
Interest paid	(199,374)	(82,962)	(282,336)	(283,496)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(681,012)</u>	<u>(1,072,343)</u>	<u>(1,753,355)</u>	<u>(2,513,644)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(34)	-	(34)	(192)
Investment income	101	20	121	479
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>67</u>	<u>20</u>	<u>87</u>	<u>287</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	448,083	1,102	449,185	(657,646)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>76,943</u>	<u>65,484</u>	<u>142,427</u>	<u>800,073</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 525,026</u>	<u>\$ 66,586</u>	<u>\$ 591,612</u>	<u>\$ 142,427</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$ 1,380,957	\$ 608,211	\$ 1,989,168	\$ 2,402,617
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	574,773	422,904	997,677	914,636
Changes in assets and liabilities:				
Increase in accounts receivable	(260,611)	(41,926)	(302,537)	(145,474)
Decrease in inventory	119,733	21,856	141,589	19,415
(Increase) Decrease in prepaid expenses	(47,121)	(23,564)	(70,685)	5,132
(Decrease) Increase in accounts payable	(3,576)	287,085	283,509	46,149
Increase in accrued salaries and benefits	7,128	3,295	10,423	1,678
(Increase) Decrease in deferred revenue	(44,999)	-	(44,999)	44,999
Increase (decrease) in meter deposits	436,712	800	437,512	(209,721)
Increase in post-employment benefit obligations	57,353	28,677	86,030	80,800
(Decrease) Increase in compensated absences	(1,875)	3,404	1,529	(2,243)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,218,474</u>	<u>\$ 1,310,742</u>	<u>\$ 3,529,216</u>	<u>\$ 3,157,988</u>
Noncash capital and related financing activities:				
Contributions of capital assets from developers	\$ -	\$ -	\$ -	\$ 239,400
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:				
Cash and cash equivalents	\$ 40,418	\$ 65,586	\$ 106,004	\$ 94,331
Meter deposits - restricted	484,608	1,000	485,608	48,096
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 525,026</u>	<u>\$ 66,586</u>	<u>\$ 591,612</u>	<u>\$ 142,427</u>

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

TOWN OF SMYRNA
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2010
(With Summarized Comparative Data for December 31, 2009)

	Totals	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 235,279	\$ 175,609
Investments at fair value:		
Mutual funds	5,947,401	4,483,191
Fixed income	93,141	81,679
Insurance contracts	3,321,024	3,321,917
TOTAL ASSETS	\$ 9,596,845	\$ 8,062,396
 LIABILITIES AND NET ASSETS		
LIABILITIES	\$ 15,050	\$ 11,662
NET ASSETS		
Assets held in trust for employee pension benefits	9,581,795	8,050,734
TOTAL LIABILITIES AND NET ASSETS	\$ 9,596,845	\$ 8,062,396

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

TOWN OF SMYRNA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010
(With Summarized Comparative Data for the Year Ended December 31, 2009)

	Totals	
	2010	2009
ADDITIONS:		
Contributions:		
Employer contribution	\$ 1,141,062	\$ 936,828
State aid - police	96,438	76,292
Total Contributions	1,237,500	1,013,120
Investment income:		
Interest and dividends	307,938	262,563
Net appreciation in fair value of investments	412,649	675,306
Total Investment Income	720,587	937,869
Less investment expense	130,644	88,305
Net Investment Income	589,943	849,564
TOTAL ADDITIONS	1,827,443	1,862,684
DEDUCTIONS:		
Benefits paid	294,393	249,094
Administrative expenses	1,989	1,823
TOTAL DEDUCTIONS	296,382	250,917
CHANGE IN NET ASSETS	1,531,061	1,611,767
NET ASSETS, BEGINNING OF YEAR	8,050,734	6,438,967
NET ASSETS, END OF YEAR	\$ 9,581,795	\$ 8,050,734

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 intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 entity-wide financial statements report net assets in one of three components. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net assets arising from special revenue and capital projects funds. Unrestricted net assets consist of net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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 funds' 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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 2010 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 2010, there were no revisions to the legally adopted budgets.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2010, the General Fund incurred expenditures in excess of appropriations in the following functions:

Public safety	\$ 27,058
Public works	\$ 60,414
Debt service	\$ 254,781

The excess of expenditures was 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, 2010, the carrying amount of the Town's deposits was \$834,457 and the bank balance was \$1,204,159. The Town maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limit of \$250,000 as of December 31, 2010. In addition to these limits, the FDIC provided unlimited insurance on noninterest-bearing transaction accounts at December 31, 2010. The Town has not experienced any losses in such accounts. As of December 31, 2010, the uninsured balance was \$0.

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

Investments

As of December 31, 2010, the Town had the following investments:

U.S. Treasury bills	\$ 3,398,760
Mutual funds	<u>677,842</u>
	<u>\$ 4,076,602</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, 2010, 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's investments in mutual funds are rated "AAAm" by Standard and Poors and "Aaa" by Moody's Investor Services.

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, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,110,795	\$ -	\$ -	\$ 1,110,795
Construction-in-progress	<u>31,627</u>	<u>2,653</u>	<u>-</u>	<u>34,280</u>
Total Capital Assets Not Being Depreciated	<u>1,142,422</u>	<u>2,653</u>	<u>-</u>	<u>1,145,075</u>
Capital assets being depreciated:				
Buildings and improvements	6,673,951	69,660	-	6,743,611
Infrastructure	17,051,270	127,470	-	17,178,740
Land improvements	763,726	-	-	763,726
Machinery and equipment	<u>3,642,524</u>	<u>138,253</u>	<u>-</u>	<u>3,780,777</u>
Total Capital Assets Being Depreciated	<u>28,131,471</u>	<u>335,383</u>	<u>-</u>	<u>28,466,854</u>
Less accumulated depreciation for:				
Buildings and improvements	935,538	133,303	-	1,068,841
Infrastructure	5,187,784	561,117	-	5,748,901
Land improvements	386,053	23,891	-	409,944
Machinery and equipment	<u>2,268,739</u>	<u>257,839</u>	<u>-</u>	<u>2,526,578</u>
Total accumulated depreciation	<u>8,778,114</u>	<u>976,150</u>	<u>-</u>	<u>9,754,264</u>
Total Capital Assets Being Depreciated, Net	<u>19,353,357</u>	<u>(640,767)</u>	<u>-</u>	<u>18,712,590</u>
Governmental Activities Assets, Net	<u>\$ 20,495,779</u>	<u>\$ (638,114)</u>	<u>\$ -</u>	<u>\$ 19,857,665</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 85,171	\$ -	\$ -	\$ 85,171
Construction-in-progress	1,341,909	531,227	849,045	1,024,091
Total Capital Assets Not Being Depreciated	<u>1,427,080</u>	<u>531,227</u>	<u>849,045</u>	<u>1,109,262</u>
Capital assets being depreciated:				
Buildings and improvements	3,198,571	-	-	3,198,571
Infrastructure	29,906,723	3,454,390	-	33,361,112
Machinery and equipment	1,254,700	-	-	1,254,700
Total Capital Assets Being Depreciated	<u>34,359,994</u>	<u>3,454,390</u>	<u>-</u>	<u>37,814,383</u>
Less accumulated depreciation for:				
Buildings and improvements	620,562	61,992	-	682,554
Infrastructure	4,868,931	872,743	-	5,741,673
Machinery and equipment	935,768	62,942	-	998,710
Total accumulated depreciation	<u>6,425,261</u>	<u>997,677</u>	<u>-</u>	<u>7,422,937</u>
Total Capital Assets Being Depreciated, Net	<u>27,934,733</u>	<u>2,456,713</u>	<u>-</u>	<u>30,391,446</u>
Business-type Activities Assets, Net	<u>\$ 29,361,813</u>	<u>\$ 2,987,940</u>	<u>\$ 849,045</u>	<u>\$ 31,500,708</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 118,107
Public safety	127,975
Public works	704,429
Planning and inspection	1,563
Library	14,228
Culture and recreation	<u>9,848</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 976,150</u>
Business-type Activities:	
Electric	\$ 574,773
Water	<u>422,904</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 997,677</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>	<u>Due Within One Year</u>
Governmental Activities:					
Loans payable	\$3,190,175	\$ -	\$ 111,549	\$3,078,626	\$ 115,881
Compensated absences	<u>441,993</u>	<u>270,276</u>	<u>327,384</u>	<u>384,885</u>	<u>44,103</u>
TOTAL	<u>\$3,632,168</u>	<u>\$ 270,276</u>	<u>\$ 438,933</u>	<u>\$3,463,511</u>	<u>\$ 159,984</u>
Business-type Activities:					
Loans payable	\$7,188,123	\$1,359,310	\$ 367,803	\$8,179,630	\$ 829,183
Compensated absences	<u>112,010</u>	<u>74,054</u>	<u>72,525</u>	<u>113,539</u>	<u>11,354</u>
TOTAL	<u>\$7,300,133</u>	<u>\$1,433,364</u>	<u>\$ 440,328</u>	<u>\$8,293,169</u>	<u>\$ 840,537</u>

For the governmental activities, claims and adjustments and compensated absences are generally liquidated by the General Fund.

Loans Payable

Governmental Activities:

The Town obtained permanent financing, General Obligation Note, Series 2007A, 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. This note was refinanced in 2011.

\$3,078,626

Total Governmental Activities

\$3,078,626

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.

\$ 22,500

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.

1,239,330

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. 1,509,638

The Town obtained permanent financing, General Obligation Note, Series 2007B, 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. This loan was refinanced in March 2011. 4,098,853

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control. The Loan is used to finance a number of municipal projects to improve, upgrade, and expand the Town's wastewater system. The Town is still drawing down on this loan. 4,770

Loan payable issued by the Delaware Department of Health and Social Services to finance the Town's drinking water project. The Town is still drawing down on this loan. 804,539

The Town obtained a line of credit in the amount of \$1,000,000 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. Interest at 1.91% is payable monthly. 500,000

Total Business-type Activities \$ 8,179,630

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>
2011	\$ 945,064	\$ 391,511	\$ 1,336,575
2012	7,056,583	169,736	7,226,319
2013	168,100	61,132	229,232
2014	164,749	56,983	221,732
2015	169,006	53,026	222,032
2016-2020	912,850	195,810	1,108,660
2021-2025	869,399	73,808	943,207
2026-2027	972,505	3,949	976,454
Total	<u>\$ 11,258,256</u>	<u>\$ 1,005,955</u>	<u>\$ 12,264,211</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

Compensated Absences

At December 31, 2010, accrued compensated absences for governmental activities totaled \$384,885. This total is comprised of accrued vacation leave of \$155,825 and accrued sick leave of \$229,060. In addition, at December 31, 2010, accrued compensated absences in the business-type activities and proprietary funds totaled \$113,539. This total is comprised of accrued vacation leave of \$49,962 and accrued sick leave of \$63,577.

NOTE 6 INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2010 was as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ -	\$ 2,414,739
Capital Reserve Fund	1,132,976	-
Water and Sewer Fund	272,946	35,629
Electric Fund	<u>1,046,446</u>	<u>2,000</u>
TOTAL	<u>\$ 2,452,368</u>	<u>\$ 2,452,368</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, 2010 is as follows:

Governmental Activities:	
Total capital assets, net	\$ 19,857,665
Less: loans payable	<u>3,078,626</u>
Total Invested in Capital Assets, Net	<u>\$ 16,779,039</u>
Business-type Activities:	
Total capital assets, net	\$ 31,500,708
Less: loans payable	<u>8,179,630</u>
Total Invested in Capital Assets, Net	<u>\$ 23,321,078</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PLANS

The Town participates in two defined benefit pension plans: the Town of Smyrna Police Pension Plan and the Town of Smyrna Employee Pension Plan. The Police Pension Plan, a single-employer defined benefit plan, covers all full-time uniformed police officers. The Employee Pension Plan, a single-employer defined benefit plan, covers all full-time permanent employees, other than police officers. The Town contributes to both plans.

The Town administers the assets of the two single-employer defined benefit plans and, accordingly, is required to prepare pension trust fund financial statements, using the accrual basis of accounting. Separate pension fund financial statements for each plan have not been issued; accordingly, they are presented as required by GASB No. 34, as follows:

STATEMENT OF NET ASSETS - PENSION TRUST FUNDS

December 31, 2010

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 109,434	\$ 125,845	\$ 235,279
Investments at fair value:			
Mutual funds	2,514,990	3,432,411	5,947,401
Fixed income:	50,438	42,703	93,141
Insurance contracts	1,881,849	1,439,175	3,321,024
TOTAL ASSETS	<u>\$ 4,556,711</u>	<u>\$ 5,040,134</u>	<u>\$ 9,596,845</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Liabilities	\$ 7,014	\$ 8,036	\$ 15,050
NET ASSETS			
Assets held in trust for employee			
Pension benefits	4,549,697	5,032,098	9,581,795
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,556,711</u>	<u>\$ 5,040,134</u>	<u>\$ 9,596,845</u>

STATEMENT OF CHANGES IN NET ASSETS - PENSION TRUST FUNDS

For the Year Ended December 31, 2010

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employer contribution	\$ 485,645	\$ 655,417	\$ 1,141,062
State aid - police	96,438	-	96,438
Total Contributions	<u>582,083</u>	<u>655,417</u>	<u>1,237,500</u>
Investment Income:			
Interest and dividends	152,493	155,445	307,938
Net appreciation in fair value of investments	174,415	238,234	412,649
Total Investment Income	<u>326,908</u>	<u>393,679</u>	<u>720,587</u>
Less investment expense	65,262	65,382	130,644
Net Investment Income	<u>261,646</u>	<u>328,297</u>	<u>589,943</u>
TOTAL ADDITIONS	<u>843,729</u>	<u>983,714</u>	<u>1,827,443</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PLANS (cont'd)

STATEMENT OF CHANGES IN NET ASSETS - PENSION TRUST FUNDS
For the Year Ended December 31, 2010

(cont'd)	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
DEDUCTIONS			
Benefits paid	180,819	113,574	294,393
Administrative expenses	969	1,020	1,989
TOTAL DEDUCTIONS	<u>181,788</u>	<u>114,594</u>	<u>296,382</u>
 CHANGE IN NET ASSETS	 661,941	 869,120	 1,531,061
NET ASSETS, BEGINNING OF YEAR	<u>3,887,756</u>	<u>4,162,978</u>	<u>8,050,734</u>
NET ASSETS, END OF YEAR	<u>\$ 4,549,697</u>	<u>\$ 5,032,098</u>	<u>\$ 9,581,795</u>

NOTE 9 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.

The Town has had in effect since January 1, 1966 the Town of Smyrna, Inc. Employee's Pension Trust Retirement Plan for full-time police officers of the Town, 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 of Smyrna and the Pension Plan for Full-Time Police Officers of the Town of Smyrna. 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 supplementary information.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION FUND (cont'd)

As of January 1, 2010, 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.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION FUND (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, 2010, the carrying amount of the police pension fund deposits was \$109,434, and the bank balance of the police pension fund deposits was \$109,275. Of this amount, \$106,230 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$3,045 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, 2010, the Town of Smyrna Police Pension Plan had the following investments:

	<u>Fair Value</u>
Mutual funds and fixed income bonds	\$ 2,565,428
Unallocated fixed income insurance contracts	<u>1,881,849</u>
Total	<u>\$ 4,447,277</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.

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 six 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION FUND (cont'd)

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 reported value of assets plus the discounted value of the recommended contribution for the prior plan year payable in the current plan year.

The unfunded actuarial accrued liability is being amortized as a level percentage of compensation each year. The remaining amortization period at December 31, 2010 was eight years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2010	\$ 636,517	91.45%	\$ (74,420)
12/31/2009	\$ 469,209	100.17%	\$ (128,854)
12/31/2008	\$ 433,209	100.00%	\$ (128,071)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	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)
1/1/2010	\$4,524,273	\$7,130,725	63.45%	\$2,606,452	\$1,390,092	187.50%

The Schedule of Funding Progress, presented as Required Supplemental Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial liability for benefits.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION FUND (cont'd)

The above information regarding the Police Pension Fund was taken from the January 1, 2010 Actuarial Valuation presented by Milliman, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA dated December 31, 2010.

NOTE 10 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 Town has had in effect since January 1, 1966 the Pension Plan for Full-time City Employees of the Town of Smyrna, 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 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 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, 2010, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	57
Terminated vested participants	22
Retirees and beneficiaries currently receiving benefits	<u>8</u>
	<u>87</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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

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, 2006, 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, 2006 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, 2010, the carrying amount of the full-time employee pension fund deposits was \$125,845, and the bank balance was \$125,715. Of this amount, \$120,217 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$5,498 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

As of December 31, 2010, the Town of Smyrna Full-time Employee Pension Plan had the following investments:

	<u>Fair Value</u>
Mutual funds and fixed income bonds	\$ 3,475,114
Unallocated fixed income insurance contracts	<u>1,439,175</u>
Total	<u>\$ 4,914,289</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.

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

The actuarial value of plan assets is equal to the reported value of assets with Aetna Life Insurance Company plus the discounted value of the recommended contribution for the prior plan year payable in the current plan year.

The unfunded actuarial accrued liability is being amortized as a level percentage of compensation each year. The remaining amortization period at December 31, 2010 was eight years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2010	\$ 715,823	91.56%	\$ (287,179)
12/31/2009	\$ 542,282	100.16%	\$ (347,585)
12/31/2008	\$ 494,464	100.00%	\$ (346,739)

	(1)	(2)	(3)	(4)	(5)	(6)
				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)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)			
1/1/2010	\$4,878,801	\$6,425,392	75.93%	\$1,546,591	\$2,579,706	59.95%

The Schedule of Funding Progress, presented as Required Supplemental Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial liability for benefits.

The above information regarding the Full-time Employees Pension Fund was taken from the January 1, 2010 Actuarial Valuation presented by Milliman, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA dated December 2010.

NOTE 11 POST-EMPLOYMENT POLICE 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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POST-EMPLOYMENT POLICE RETIREMENT BENEFITS (cont'd)

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 2010, the Town contributed \$50,623 to the plan for current premiums, or approximately 84 percent of total premiums. Plan members receiving benefits contributed \$9,547, or approximately 16 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, 2010 totaled \$60,170.

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 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.

	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 613,473	\$ 554,963
Adjustment to annual required contribution	<u>(27,458)</u>	<u>-</u>
Annual OPEB cost (expense)	586,015	554,963
Contributions made	<u>(58,300)</u>	<u>(52,700)</u>
Increase in net OPEB obligation	527,715	502,263
Net OPEB obligation - beginning of year	<u>502,263</u>	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 1,029,978</u>	<u>\$ 502,263</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POST-EMPLOYMENT POLICE RETIREMENT BENEFITS (cont'd)

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$3,978,024, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$3,978,024. The covered payroll (annual payroll of active employees covered by the plan) was \$1,301,000, and the ratio of the UAAL to the covered payroll was 305.77 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.

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 2010, 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, 2010 was 13 years.

NOTE 12 POST-EMPLOYMENT EMPLOYEE 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

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 2010, the Town contributed \$5,853 to the plan for current premiums, or approximately 60 percent of total premiums. Plan members receiving benefits contributed \$3,939, or approximately 40 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, 2010 totaled \$5,853.

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 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.

	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 394,962	\$ 354,768
Adjustment to annual required contribution	<u>(18,405)</u>	<u>-</u>
Annual OPEB cost (expense)	376,557	354,768
Contributions made	<u>(18,100)</u>	<u>(18,100)</u>
Increase in net OPEB obligation	358,457	336,668
Net OPEB obligation - beginning of year	<u>336,668</u>	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 695,125</u>	<u>\$ 336,668</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$2,257,894, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$2,257,894. The covered payroll (annual payroll of active employees covered by the plan) was \$2,244,000, and the ratio of the UAAL to the covered payroll was 100.62 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.

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 2010, 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, 2010 was 13 years.

NOTE 13 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 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.

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 12/31/2010</u>
Water Distribution System Project	\$ 3,768,000	\$ 2,841,139
Waste Water System Project	5,975,000	1,101,502
Lighting Energy Project	<u>66,255</u>	<u>66,255</u>
	<u>\$ 9,809,255</u>	<u>\$ 4,008,896</u>

Certain projects totaling \$2,950,525 within the above noted projects have been completed and placed in service.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 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 16 ADVANCE PAYMENTS

The Town received an advance payment of impact fees totaling \$931,241 in the General Fund. As of December 31, 2010, only an amount totaling \$194,525 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$736,716 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.

NOTE 17 STIMULUS FUNDING PROJECT RECEIPTS AND EXPENDITURES

Revenue Recognized Based on Eligible Project Expenditures	\$ 3,992,642
Revenues Received and Recognized	<u>(1,651,687)</u>
Revenues Due to Town of Smyrna at 12/31/2010	2,340,955
Less: Prior Year Deferred Revenue recognized in current year	<u>(45,000)</u>
Revenues Due to Town of Smyrna at 12/31/2010	2,295,955
Less: State Portion of Revenues	194,538
Federal Funding Revenues Due to Town of Smyrna at 12/31/2010	<u>\$ 2,101,417</u>
Water Distribution System Project Expenditures	\$ 2,726,509
Waste Water System Project Expenditures	1,216,133
Energy Lighting Federal Eligible Project Expenditures	<u>50,000</u>
Total Eligible Project Expenditures at 12/31/2010	<u>\$ 3,992,642</u>

NOTE 18 GOVERNMENTAL ACCOUNTING STANDARDS BOARD NUMBER 54

The GASB has issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which addresses a change in the classification of fund balance. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the resources reported in governmental funds.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 GOVERNMENTAL ACCOUNTING STANDARDS BOARD NUMBER 54 (cont'd)

Fund balance will be displayed in the following classification depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- *Assigned fund balance* – amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. In addition, definitions of other governmental fund types have been modified for clarity and consistency.

The general provisions of GASB 54 must be implemented by the Town for the fiscal year ending December 31, 2011.

NOTE 19 SUBSEQUENT EVENTS

The Town was approved for a recycling grant totaling \$170,295 in February of 2011. The program will commence July 1, 2011.

In March 2011, the Town issued General Obligation Bonds, Series 2011, in an amount totaling \$7,715,000. The proceeds of the bonds will be used to currently refinance the Town's General Obligation Note Series 2007A and General Obligation Note Series 2007B and pay certain costs of issuance.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 SUBSEQUENT EVENTS (cont'd)

The Town has evaluated all subsequent events through May 10, 2011, 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)
Actuarial Valuation Date	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						
1/1/05	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%
1/1/10	4,524,273	7,130,725	63.45%	2,606,452	1,390,092	187.50%
FULL-TIME EMPLOYEE						
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%
1/1/10	4,878,801	6,425,392	75.93%	1,546,591	2,579,706	59.95%

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, 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
12/31/2010	\$ 636,517	91.45%	\$ 715,823	91.57%
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%

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	\$ -	\$2,257,894	\$2,257,894	0.00%	\$2,244,000	100.62%
Police	1/1/2009	-	3,978,024	3,978,024	0.00%	1,301,000	305.77%

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	\$ 395,000	5.32%	\$ 695,000
Police	1/1/2009	586,000	9.95%	1,030,000

SUPPLEMENTARY INFORMATION SECTION

COMBINING NONMAJOR FUND STATEMENTS

TOWN OF SMYRNA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<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	\$ 2,523	\$ 8,280	\$ 1,603	\$ 44,701	\$ 11,717	\$ 68,824
Investments	334,782	-	-	-	-	334,782
Grants receivable	78,982	-	-	-	-	78,982
TOTAL ASSETS	<u>\$ 416,287</u>	<u>\$ 8,280</u>	<u>\$ 1,603</u>	<u>\$ 44,701</u>	<u>\$ 11,717</u>	<u>\$ 482,588</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES						
Reserved for:						
Police expenditures	-	8,280	1,603	44,701	11,717	66,301
Public works expenditures	416,287	-	-	-	-	416,287
TOTAL FUND BALANCES	<u>416,287</u>	<u>8,280</u>	<u>1,603</u>	<u>44,701</u>	<u>11,717</u>	<u>482,588</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 416,287</u>	<u>\$ 8,280</u>	<u>\$ 1,603</u>	<u>\$ 44,701</u>	<u>\$ 11,717</u>	<u>\$ 482,588</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
REVENUES						
Intergovernmental	\$ 157,964	\$ 6,548	\$ 9,733	\$ 21,192	\$ 2,208	\$ 197,645
Investment income	349	-	-	-	-	349
TOTAL REVENUES	158,313	6,548	9,733	21,192	2,208	197,994
EXPENDITURES						
Current:						
Public safety - police	-	8,931	9,920	12,533	1,751	33,135
Public works	4,800	-	-	-	-	4,800
TOTAL EXPENDITURES	4,800	8,931	9,920	12,533	1,751	37,935
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	153,513	(2,383)	(187)	8,659	457	160,059
NET CHANGES IN FUND BALANCE	153,513	(2,383)	(187)	8,659	457	160,059
FUND BALANCES, BEGINNING OF YEAR	262,774	10,663	1,790	36,042	11,260	322,529
FUND BALANCES, END OF YEAR	\$ 416,287	\$ 8,280	\$ 1,603	\$ 44,701	\$ 11,717	\$ 482,588

TOWN OF SMYRNA
COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2010

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			<u>2010</u>	<u>2009</u>
ASSETS				
Cash and cash equivalents	\$ 109,434	\$ 125,845	\$ 235,279	\$ 175,609
Investments at fair value:				
Mutual funds	2,514,990	3,432,411	5,947,401	4,483,191
Fixed income	50,438	42,703	93,141	81,679
Insurance contracts	<u>1,881,849</u>	<u>1,439,175</u>	<u>3,321,024</u>	<u>3,321,917</u>
TOTAL ASSETS	<u><u>\$ 4,556,711</u></u>	<u><u>\$ 5,040,134</u></u>	<u><u>\$ 9,596,845</u></u>	<u><u>\$ 8,062,396</u></u>
 LIABILITIES AND NET ASSETS				
LIABILITIES	\$ 7,014	\$ 8,036	\$ 15,050	\$ 11,662
NET ASSETS				
Assets held in trust for employee pension benefits	<u>4,549,697</u>	<u>5,032,098</u>	<u>9,581,795</u>	<u>8,050,734</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,556,711</u></u>	<u><u>\$ 5,040,134</u></u>	<u><u>\$ 9,596,845</u></u>	<u><u>\$ 8,062,396</u></u>

TOWN OF SMYRNA
COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Police Pension Trust Fund</u>	<u>Employee Pension Trust Fund</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
ADDITIONS:				
Contributions:				
Employer contribution	\$ 485,645	\$ 655,417	\$ 1,141,062	\$ 936,828
State aid - police	96,438	-	96,438	76,292
Total Contributions	<u>582,083</u>	<u>655,417</u>	<u>1,237,500</u>	<u>1,013,120</u>
Investment Income:				
Interest and dividends	152,493	155,445	307,938	262,563
Net appreciation in fair value of investments	174,415	238,234	412,649	675,306
Total Investment Income	<u>326,908</u>	<u>393,679</u>	<u>720,587</u>	<u>937,869</u>
Less investment expense	65,262	65,382	130,644	88,305
Net Investment Income	<u>261,646</u>	<u>328,297</u>	<u>589,943</u>	<u>849,564</u>
TOTAL ADDITIONS	<u>843,729</u>	<u>983,714</u>	<u>1,827,443</u>	<u>1,862,684</u>
DEDUCTIONS:				
Benefits paid	180,819	113,574	294,393	249,094
Administrative expenses	969	1,020	1,989	1,823
TOTAL DEDUCTIONS	<u>181,788</u>	<u>114,594</u>	<u>296,382</u>	<u>250,917</u>
CHANGE IN NET ASSETS	661,941	869,120	1,531,061	1,611,767
NET ASSETS, BEGINNING OF YEAR	<u>3,887,756</u>	<u>4,162,978</u>	<u>8,050,734</u>	<u>6,438,967</u>
NET ASSETS, END OF YEAR	<u>\$ 4,549,697</u>	<u>\$ 5,032,098</u>	<u>\$ 9,581,795</u>	<u>\$ 8,050,734</u>



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.

Revenue Capacity

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

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.

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.

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.

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 seven fiscal years ending December 31,
(Unaudited)

Accrual basis of accounting

	2010	2009	2008	Fiscal Year 2007	2006	2005	2004
Governmental Activities							
Invested in capital assets, net of related debt	\$ 16,779,039	\$ 17,305,604	\$ 16,572,941	\$ 15,557,668	\$ 6,728,354	\$ 6,767,901	\$ 5,423,723
Restricted for police	66,301	59,755	59,436	53,776	47,285	58,873	48,312
Restricted for public works	416,287	262,774	148,140	210,250	171,833	242,887	554,879
Restricted for capital projects	2,602,230	3,891,067	3,987,233	4,105,139	3,169,902	2,906,174	3,694,707
Unrestricted	(714,297)	(475,766)	1,126,660	268,091	432,887	443,283	2,615,541
Total governmental activities net assets	<u>\$ 19,149,560</u>	<u>\$ 21,043,434</u>	<u>\$ 21,894,410</u>	<u>\$ 20,194,924</u>	<u>\$ 10,550,261</u>	<u>\$ 10,419,118</u>	<u>\$ 12,337,162</u>
Business-type Activities							
Invested in capital assets, net of related debt	\$ 23,321,078	\$ 22,173,690	\$ 19,989,271	\$ 18,048,736	\$ 9,897,663	\$ 7,542,931	\$ 4,925,354
Restricted for capital projects	1,905,765	848,290	-	-	-	-	-
Unrestricted	2,255,968	1,728,246	2,284,157	2,967,735	1,922,016	1,105,734	1,488,895
Total business-type activities net assets	<u>\$ 27,482,811</u>	<u>\$ 24,750,226</u>	<u>\$ 22,273,428</u>	<u>\$ 21,016,471</u>	<u>\$ 11,819,679</u>	<u>\$ 8,648,665</u>	<u>\$ 6,414,249</u>
Primary Government							
Invested in capital assets, net of related debt	\$ 40,100,117	\$ 39,479,294	\$ 36,562,212	\$ 33,606,404	\$ 16,626,017	\$ 14,310,832	\$ 10,349,077
Restricted for police	66,301	59,755	59,436	53,776	47,285	58,873	48,312
Restricted for public works	416,287	262,774	148,140	210,250	171,833	242,887	554,879
Restricted for capital projects	4,507,995	4,739,357	3,987,233	4,105,139	3,169,902	2,906,174	3,694,707
Unrestricted	1,541,671	1,252,480	3,410,817	3,235,826	2,354,903	1,549,017	4,104,436
Total primary government	<u>\$ 46,632,371</u>	<u>\$ 45,793,660</u>	<u>\$ 44,167,838</u>	<u>\$ 41,211,395</u>	<u>\$ 22,369,940</u>	<u>\$ 19,067,783</u>	<u>\$ 18,751,411</u>

Note: 2001-2003 information not available

Increase 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 seven fiscal years ending December 31,
(Unaudited)
Accrual basis of accounting

	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
Expenses							
Governmental activities							
General government	\$ 639,478	\$ 991,556	\$ 541,804	\$ 759,203	\$ 857,943	\$ 1,484,176	\$ 1,646,354
Public safety	4,173,614	3,900,646	3,347,620	3,038,754	3,163,053	3,044,863	2,659,479
Public works	2,529,000	2,396,831	2,686,125	2,463,952	1,723,522	1,294,100	1,233,417
Planning and inspection	702,608	674,914	797,144	836,185	753,951	563,118	652,145
Library	245,271	290,568	272,447	283,318	381,555	364,013	211,177
Culture and recreation	325,927	308,638	356,473	301,762	269,896	284,864	222,144
Business park	11,155	11,370	13,325	12,805	13,906	42,994	-
Neighbourhood housing rehabilitation	-	1,592	-	6,895	50,106	-	-
Interest on long-term debt	143,016	147,638	96,271	-	-	-	-
Total governmental activities	<u>8,770,069</u>	<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	12,695,759	11,505,781	11,429,814	10,582,868	9,778,074	8,304,862	5,009,218
Water/Sewer	2,918,014	2,687,910	2,743,058	2,499,947	2,135,690	2,085,121	1,616,730
Total business-type activities	<u>15,613,773</u>	<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>\$ 24,383,842</u>	<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	\$ 312,924	\$ 495,144	\$ 670,436	\$ 843,486	\$ 614,997	\$ 626,031	\$ 578,420
Public safety	95,411	98,743	140,480	104,268	129,169	140,784	96,920
Public works	1,065,489	943,340	890,563	981,985	751,504	573,968	590,672
Planning and inspection	389,704	507,841	564,419	657,992	531,552	446,085	523,549
Library	152,890	64,292	51,747	44,803	26,867	29,299	29,702
Operating grants and contributions	485,541	400,186	519,984	554,430	558,849	415,450	344,674
Capital grants and contributions	107,875	1,145,990	852,537	851,855	48,277	100,000	287,237
Total governmental activities	<u>2,609,834</u>	<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	13,832,744	13,213,378	13,125,246	12,392,787	12,584,841	9,693,440	7,853,637
Water/Sewer	3,452,336	3,056,770	3,126,298	2,867,186	2,754,992	2,592,480	2,542,453
Capital grants and contributions	2,342,920	1,657,139	1,404,042	2,267,173	1,245,688	230,715	-
Total business-type activities	<u>19,628,000</u>	<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>\$ 22,237,834</u>	<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>
Net (Expense) Revenue							
Governmental activities	\$ (6,160,235)	\$ (5,068,207)	\$ (4,421,043)	\$ (3,664,055)	\$ (4,552,717)	\$ (4,746,511)	\$ (4,193,542)
Business-type activities	4,014,227	3,733,596	3,482,714	4,444,331	4,671,757	2,126,652	3,770,142
Total primary government net expense	<u>\$ (2,146,008)</u>	<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>

Note: 2001-2003 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

Continued on next page.

TOWN OF SMYRNA
CHANGES IN NET ASSETS
Last seven fiscal years ending December 31,
(Unaudited)
Accrual basis of accounting
Cont'd

	2010	2009	2008	Fiscal Year 2007	2006	2005	2004
General Revenues and Other Changes in Net Assets							
Governmental activities							
Real estate taxes	\$ 2,074,467	\$ 1,933,324	\$ 1,841,492	\$ 1,201,024	\$ 1,092,855	\$ 1,042,204	\$ 829,917
Real estate transfer taxes	561,542	669,914	1,051,590	962,133	1,534,963	1,564,109	1,492,214
Franchise fees	143,993	132,249	125,903	116,123	105,001	98,004	93,591
Investment earnings	11,037	56,471	196,127	303,640	222,231	83,072	48,845
Miscellaneous income	193,559	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	1,281,763	1,257,277	2,228,153	2,474,694	1,628,923	-	4,653,169
Total governmental activities	<u>4,266,361</u>	<u>4,217,231</u>	<u>6,120,529</u>	<u>5,039,810</u>	<u>4,631,612</u>	<u>2,828,467</u>	<u>7,240,135</u>
Business-type activities							
Investment earnings	121	479	2,396	1,805	2,949	104,944	47,515
Net gain on sale of capital assets	-	-	-	-	5,837	2,820	-
Transfers	(1,281,763)	(1,257,277)	(2,228,153)	(2,474,694)	(1,628,923)	-	(4,653,169)
Total business-type activities	<u>(1,281,642)</u>	<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>\$ 2,984,719</u>	<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	\$ (1,993,874)	\$ (850,976)	\$ 1,699,486	\$ 1,435,755	\$ 78,895	\$ (1,918,044)	\$ 3,046,593
Business-type activities	2,732,585	2,476,798	1,256,957	1,971,442	3,051,620	2,234,416	(835,512)
Total primary government	<u>\$ 838,711</u>	<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: 2001-2003 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,
(Unaudited)
Modified accrual basis of accounting

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 25,781	\$ -	\$ -	\$ 45,080	\$ 45,080	\$ 45,080	\$ 45,080	\$ 45,080	\$ 5,200,000	\$ 1,745,036
Unreserved	641,742	444,959	322,647	518,895	842,635	727,909	2,982,631	753,438	2,642,981	5,367,615
Total general fund	\$ 667,523	\$ 444,959	\$ 322,647	\$ 563,975	\$ 887,715	\$ 772,989	\$ 3,027,711	\$ 798,518	\$ 7,842,981	\$ 7,112,651
All Other Governmental Funds										
Reserved, reported in										
Capital reserve fund	\$ 2,602,230	\$ 3,891,067	\$ 7,343,233	\$ 4,105,139	\$ 3,169,902	\$ 2,906,174	\$ 3,694,707	\$ -	\$ -	\$ -
Nonmajor funds	482,588	322,529	207,576	264,026	219,118	301,760	603,191	-	-	-
Special revenue funds	-	-	-	-	-	-	-	4,331,835	441,860	589,929
Total all other governmental funds	\$ 3,084,818	\$ 4,213,596	\$ 7,550,809	\$ 4,369,165	\$ 3,389,020	\$ 3,207,934	\$ 4,297,898	\$ 4,331,835	\$ 441,860	\$ 589,929
Total governmental fund balances	\$ 3,752,341	\$ 4,658,555	\$ 7,873,456	\$ 4,933,140	\$ 4,276,735	\$ 3,980,923	\$ 7,325,609	\$ 5,130,353	\$ 8,284,841	\$ 7,702,580

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,
(Unaudited)
Modified accrual basis of accounting

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Property taxes	\$ 2,128,117	\$ 1,900,363	\$ 1,743,747	\$ 1,138,746	\$ 1,157,148	\$ 933,914	\$ 805,169	\$ 709,448	\$ 686,953	\$ 466,388
Transfer taxes	561,542	669,914	1,051,590	962,133	1,534,963	1,564,109	1,492,214	694,632	372,471	253,407
Special assessment/impact fees	286,527	470,676	624,061	843,486	614,997	573,968	590,672	881,914	363,157	279,325
Charges for services	1,091,512	1,070,184	945,717	929,401	774,234	678,678	566,667	586,421	507,591	403,646
Intergovernmental	716,691	1,547,005	840,427	621,854	648,458	503,830	470,028	223,926	531,014	583,435
Licenses, fees and permits	377,760	421,777	564,434	656,911	528,649	446,085	527,287	1,050,762	441,977	357,757
Fines and forfeits	87,287	62,553	85,312	76,161	86,770	86,096	22,500	95,886	100,442	173,453
Rentals	-	-	-	-	-	-	22,500	60,000	-	-
Franchise fees	143,993	132,249	125,903	116,124	105,001	98,004	93,590	98,579	83,757	81,819
Investment income	11,037	56,471	196,127	303,640	222,231	83,072	48,845	60,626	45,776	112,832
Miscellaneous	243,616	183,538	84,212	108,219	47,160	38,050	28,839	6,990	47,964	75,110
Total revenues	<u>5,648,082</u>	<u>6,514,730</u>	<u>6,261,530</u>	<u>5,756,675</u>	<u>5,719,611</u>	<u>5,005,806</u>	<u>4,728,246</u>	<u>4,469,184</u>	<u>3,181,102</u>	<u>2,787,172</u>
Expenditures										
General government	545,586	609,219	717,819	569,885	792,141	1,624,741	1,483,809	1,182,448	1,224,142	1,036,266
Public safety	3,661,984	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
Public works	1,814,602	1,661,782	1,894,852	1,833,994	1,550,562	1,144,794	1,021,402	829,339	989,302	799,258
Planning and inspection	695,978	631,693	790,029	838,069	743,044	559,968	500,380	368,277	-	-
Library	234,277	261,747	256,168	212,443	233,489	214,588	181,162	153,736	224,880	116,232
Culture and recreation	313,789	276,030	351,120	306,941	256,940	288,112	206,747	77,653	111,229	121,006
Business park	11,155	11,370	13,325	12,805	221,936	42,994	-	-	-	-
Neighborhood housing rehabilitation	-	1,592	-	6,895	50,106	-	-	-	-	-
Debt service:										
Principal	111,549	106,904	58,921	-	-	-	-	-	-	-
Interest	143,232	147,877	89,851	-	-	-	-	-	-	-
Capital outlays	303,907	4,047,151	1,929,437	592,002	135,866	1,356,635	1,526,497	2,096,175	54,684	183,555
Total expenditures	<u>7,836,059</u>	<u>11,009,307</u>	<u>9,576,109</u>	<u>7,577,674</u>	<u>7,108,352</u>	<u>8,363,043</u>	<u>7,406,614</u>	<u>6,734,899</u>	<u>4,371,653</u>	<u>3,727,844</u>
Excess of revenues over (under) expenditures	<u>(2,187,977)</u>	<u>(4,494,577)</u>	<u>(3,314,579)</u>	<u>(1,820,999)</u>	<u>(1,388,741)</u>	<u>(3,357,237)</u>	<u>(2,678,368)</u>	<u>(2,265,715)</u>	<u>(1,190,551)</u>	<u>(940,672)</u>
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	2,414,739	2,378,177	3,575,558	2,812,575	1,684,600	506,885	5,754,847	-	1,768,812	2,219,230
Transfers out	(1,132,976)	(1,120,900)	(1,347,405)	(337,881)	(55,677)	(506,885)	(1,101,678)	-	(292,477)	-
Total other financing sources (uses)	<u>1,281,763</u>	<u>1,279,676</u>	<u>6,254,895</u>	<u>2,477,404</u>	<u>1,632,305</u>	<u>12,551</u>	<u>4,746,729</u>	<u>268,830</u>	<u>1,476,335</u>	<u>2,219,230</u>
Net change in fund balances	<u>\$ (906,214)</u>	<u>\$ (3,214,901)</u>	<u>\$ 2,940,316</u>	<u>\$ 656,405</u>	<u>\$ 243,564</u>	<u>\$ (3,344,686)</u>	<u>\$ 2,068,361</u>	<u>\$ (1,996,885)</u>	<u>\$ 285,784</u>	<u>\$ 1,278,558</u>
Debt service as a percentage of noncapital expenditures	3%	4%	2%	0%	0%	0%	0%	0%	0%	0%

Source: Town financial reports

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Transfer Tax</u>	<u>Total</u>
2010	\$ 2,128,117	\$ 561,542	\$ 2,689,659
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

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,
Unaudited

Fiscal Year	Real Property				
	Total Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value
2010	\$ 954,894,393	\$ 119,274,300	\$ 835,620,093	\$ 0.25260	*
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	*

* = 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,
Unaudited

Fiscal Year	Overlapping Governments				Total Direct & Overlapping Rates
	Town of Smyrna	Kent County	New Castle County	Smyrna School District	
2010	0.25260	0.31000	0.70180	1.00260	2.26700
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

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 Ten Years Ago
Unaudited

Taxpayer	2010			2001		
	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	24,096,760	2	2.98%	*	*	*
Co, Liborio III, LP	21,729,490	3	2.68%	*	*	*
Smyrna Professional Properties	18,450,400	4	2.28%	*	*	*
DLM, LLC	18,252,900	5	2.25%	*	*	*
Liborio 3, LLC.	16,713,890	6	2.06%	*	*	*
Smyrna Two, LLC	15,789,900	7	1.95%	*	*	*
Glenwood Associates, LLC	11,725,300	8	1.45%	*	*	*
Eagle View Associates	9,006,460	9	1.11%	*	*	*
Co, Beiser Group LLC Co.	6,852,500	10	0.85%	*	*	*
Total	\$ 192,300,700		23.75%			

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,
Unaudited

<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Collected Within Fiscal Year of the Levy</u>	<u>Collected in Subsequent Years</u>	<u>Total (1)</u>	<u>Percentage of Levy</u>
2010	\$ 2,099,314	\$ 2,128,117	\$ -	\$ 2,128,117	101.37%
2009	2,045,244	1,900,363	154,197	2,054,560	100.46%
2008	1,816,578	1,794,528	73,853	1,868,381	102.85%
2007	1,141,662	1,134,189	34,637	1,168,826	102.38%
2006	1,126,692	1,121,580	14,738	1,136,318	100.85%
2005	1,022,168	933,914	4,913	938,827	91.85%
2004	864,081	805,169	2,948	808,117	93.52%
2003	863,394	709,448	1,598	711,046	82.35%
2002	727,317	686,953	2,249	689,202	94.76%
2001	490,751	466,388	*	466,388	95.04%

(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,
Unaudited

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita (1)
	Loans	Note	Loans	Note		
2010	\$ 3,078,626	\$ -	\$ 8,179,630	\$ -	\$ 11,258,256	982
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	-	-	-	-	-	-

(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,
Unaudited

<u>Fiscal Year</u>	<u>Loans Payable</u>	<u>Percentage of Loans Payable to Assessed Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2010	\$ 3,078,626	0.37%	\$ 269
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%	-

(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, 2010
Unaudited

	General obligation debt outstanding	Estimated percentage applicable to Town of Smyrna	Estimated share of overlapping debt
Direct Debt			
Loan Payable	\$ 3,078,626	100.00%	\$ 3,078,626
Total direct debt	<u>3,078,626</u>		<u>3,078,626</u>
Overlapping debt (1)			
Kent County	5,517,860	0.62%	34,313
New Castle County	199,692,137	5.80%	11,582,144
Smyrna School District	24,459,070	88.19%	21,571,156
Total overlapping debt	<u>229,669,067</u>		<u>33,187,613</u>
Total direct and overlapping debt	<u>\$ 232,747,693</u>		<u>\$ 36,266,239</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 eight fiscal years ending December 31,
Unaudited (amounts expressed in thousands)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	\$ 37,603	\$ 36,435	\$ 32,266	\$ 29,672	\$ 30,695	\$ 14,840	\$ 12,543	\$ 12,533
Total net debt applicable to limit	<u>11,258</u>	<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>\$ 26,345</u>	<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	29.94%	28.48%	33.45%	26.26%	23.40%	24.63%	13.78%	0.60%
Total taxable assessment	\$ 835,620							
Debt limit percentage (1)	<u>4.50%</u>							
Debt limit	37,603							
Outstanding Debt	<u>11,258</u>							
Legal debt margin	<u>\$ 26,345</u>							

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 Ten Years Ago
Unaudited

Employer	2010			2001		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Bayhealth - Kent General & Milford - Dover, Milford	2,860	1	33.42%	*	*	*
Dover Downs, Inc. - Dover	1,457	2	17.02%			
Capital School District - Dover	1,000	3	11.68%	*	*	*
Delaware State University - Dover	836	4	9.77%			
Walmart Distribution Center - Smyrna	700	5	8.18%	*	*	*
Delaware Home & Hospital for the Chronically ILL - Smyrna	650	6	7.59%	*	*	*
Smyrna School District - Smyrna	375	7	4.38%	*	*	*
Eagle Group Metal Masters - Clayton	368	8	4.30%	*	*	*
Hanover Foods - Clayton	213	9	2.49%	*	*	*
Town of Smyrna - Smyrna	100	10	1.17%	*	*	*
Total	\$ 8,559		100.00%	*		*

* Information is not available
Source: Kent Economic Partnership, Inc., 2010 Kent County Major Employers Report, Town Records

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

<u>Fiscal Year</u>	<u>Population of Town (1)</u>	<u>Per Capita Personal Income - Kent County (2)</u>	<u>Unemployment Rate - Kent County (3)</u>	<u>School Enrollment (4)</u>
2010	\$ 11,463	\$ 30,749	8.20%	4,853
2009	11,040	30,749	8.20%	4,657
2008	10,435	30,749	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

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 2008 per capita personal income information for both 2009 and 2010 since this information is unavailable from the data source.

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

Function/Department	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government - Administration	14.00	14.00	15.00	14.00	13.00	16.00	14.00	11.00	8.00	8.00
Public Safety - Police	29.00	29.00	29.00	29.00	27.00	27.00	28.00	24.00	23.00	23.00
Public Works	11.00	11.00	14.00	12.00	11.00	10.00	9.00	7.00	8.00	8.00
Planning and Inspection	7.00	7.00	7.00	6.00	6.00	5.00	6.00	6.00	4.00	4.00
Library	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Culture and Recreation - Parks	1.00	3.00	3.00	2.00	2.00	2.00	1.00	1.00	-	-
General Fund Total	64.00	66.00	70.00	65.00	61.00	62.00	60.00	51.00	45.00	44.00
Public Utilities	9.00	9.00	9.00	9.00	8.00	9.00	7.00	7.00	7.00	6.00
Electric Fund Total	9.00	9.00	9.00	9.00	8.00	9.00	7.00	7.00	7.00	6.00
Public Utilities	4.00	4.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00
Water and Sewer Fund Total	4.00	4.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00
Total Staff	77.00	79.00	82.00	77.00	72.00	74.00	71.00	62.00	56.00	54.00

Source: Town Financial Records

TOWN OF SMYRNA

Operating indicators by Function
Last ten fiscal years ending June 30,
Unaudited (Expressed in thousands)

Function	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Safety										
Calls for service	16,952	20,087	22,099	22,755	20,270	19,405	16,025	16,509	18,076	19,361
Criminal reports written	2,318	1,700	1,788	1,545	1,449	1,543	1,305	1,200	1,517	1,572
Traffic arrests	3,084	3,286	4,955	3,237	2,751	2,130	2,555	2,762	3,630	4,632
Planning and Inspection										
Total fees collected for construction (1)	1,018,701	1,377,629	1,766,180	2,402,583	1,439,840	1,462,018	*	*	*	*
Construction inspections (2)	1,156	1,469	1,751	1,861	1,741	2,293	*	*	*	*
Building permits issued	497	582	610	581	589	687	*	*	*	*
Smyrna Public Library										
Number of registered borrowers	17,832	9,376	9,376	7,335	14,525	11,231	7,878	7,072	5,704	5,086
Attendance per year	81,722	82,127	78,895	69,731	61,071	53,187	50,996	33,018	18,734	12,137
Actual circulation	66,111	58,934	38,415	38,468	47,474	32,165	30,299	24,539	24,108	17,188
Number of books	26,254	22,149	20,246	22,132	22,838	21,486	17,000	16,000	15,467	15,303
Water										
Gallons billed	321,210,219	283,572,474	273,431,231	256,052,000	264,147,000	229,941,000	*	234,571,000	225,910,000	230,900,000
Connections	3,789	3,789	3,789	3,789	3,789	3,500	*	3,731	3,416	2,716
Electric										
Usage (kwh)	98,762,000	90,195,000	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 non-activity 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

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

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May 10, 2011

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, 2010 which collectively comprise the basic financial statements of the Town of Smyrna, Delaware (the "Town") and have issued our report thereon dated May 10, 2011. 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 10, 2011.

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 LLP
BARBACANE, THORNTON & COMPANY LLP

REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTR
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

May 10, 2011

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 OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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. 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

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 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 LLP
BARBACANE, THORNTON & COMPANY LLP

**SCHEDULE OF
FINDINGS AND RECOMMENDATIONS**

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major programs [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grants for Clean Water State Revolving Funds

66.468

Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes No

TOWN OF SMYRNA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

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, 2010**

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 01/01/2010	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 12/31/2010
U.S. Department of Justice										
Bureau of Justice Assistance	D	16.607	NA	01/01/10-12/31/10	\$ 723	\$ 1,064	\$ 341	\$ 723	\$ 723	\$ -
Bulletproof Vest Partnership Program										
Office of Community Oriented Policing Services	D	16.710	2009RKM/X0196	07/01/09-06/30/12	238,772	53,447	4,911	64,260	64,260	15,724
Public Safety Partnership and Community Policing Grants										
TOTAL U.S. DEPARTMENT OF JUSTICE					<u>239,495</u>	<u>54,511</u>	<u>5,252</u>	<u>64,983</u>	<u>64,983</u>	<u>15,724</u>
U.S. Department of Transportation										
Passed through Delaware Department of Transportation	I	20.205	DELDOT	01/01/10-12/31/10	994,726	119,523	119,523	-	-	-
Highway Planning and Construction										
TOTAL U.S. DEPARTMENT OF TRANSPORTATION					<u>994,726</u>	<u>119,523</u>	<u>119,523</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. Environmental Protection Agency										
Passed through Delaware Dept of Natural Resources and Environmental Control	I	66.458	DNREC	01/01/10-12/31/10	5,975,000	4,007	89,346	931,485	931,485	1,016,824
Capitalization Grants for Clean Water State Revolving Funds*										
Passed through Delaware Dept of Health and Social Services	I	66.468	DHSS	01/01/10-12/31/10	3,768,000	1,641,916	891,251	1,835,258	1,835,258	1,084,593
Capitalization Grants for Drinking Water State Revolving Funds*										
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY					<u>9,743,000</u>	<u>1,645,923</u>	<u>980,597</u>	<u>2,766,743</u>	<u>2,766,743</u>	<u>2,101,417</u>
U.S. Department of Energy										
Energy Efficiency and Conservation Block Grant Program	D	81.128	NA	10/01/09-02/28/12	50,000	-	(45,000)	45,000	45,000	-
TOTAL U.S. DEPARTMENT OF ENERGY					<u>50,000</u>	<u>-</u>	<u>(45,000)</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
U.S. Department of Homeland Security										
Passed through Delaware Emergency Management Agency	I	97.067	2006-GE-T6-0060	01/01/10-12/31/10	72,600	-	-	72,600	72,600	72,600
Homeland Security Grant Program										
Homeland Security Grant Program	I	97.067	2007-GE-T7-0020	07/01/07-06/30/11	1,928	1,896	-	1,896	1,896	-
Disaster Grants - Public Assistance (Presidentially declared disasters)										
Disaster Grants - Public Assistance (Presidentially declared disasters)	I	97.036	FEMA-1896-DR-DE	03/31/10-12/31/11	42,652	42,652	-	42,652	42,652	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY					<u>117,180</u>	<u>44,548</u>	<u>-</u>	<u>117,148</u>	<u>117,148</u>	<u>72,600</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$11,144,401</u>	<u>\$1,864,505</u>	<u>\$1,060,372</u>	<u>\$ 2,993,874</u>	<u>\$ 2,993,874</u>	<u>\$2,189,741</u>

Source Codes

- I - Indirect Funding
- D- Direct 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.