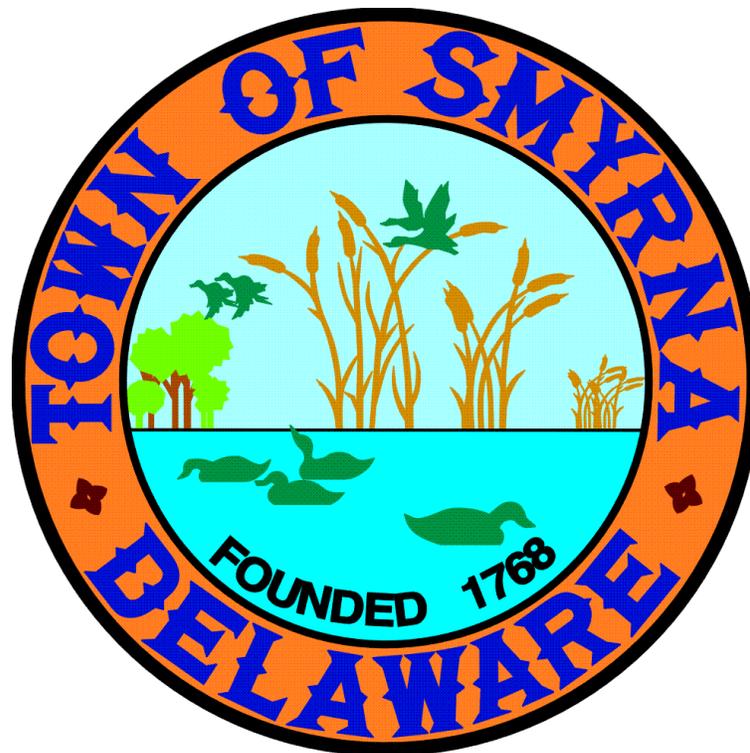


TOWN OF SMYRNA

Smyrna, Delaware
Kent County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2011



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2011

Prepared by:

Gary F. Stulir, Manager of Accounting & Business Services

Business Office Staff

INTRODUCTORY SECTION



TOWN OF SMYRNA

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Town of Smyrna

DAVID S. HUGG III, TOWN MANAGER

May 23, 2012

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 year ended December 31, 2011. 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. It is also intended to provide financial data to the tax and ratepayers, bondholders, trustees, banks, federal and state agencies and the financial community at large.

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, 2011. The Independent Auditors' Report is located at the front of the financial section of this report.

Management's Discussion and Analysis ("MD&A") provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. Our MD&A can be found immediately following the report of our independent auditors.

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

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

Profile of the Town

This CAFR includes all funds of the Town, consistent with the guidance contained in GASB 14, *The Financial Reporting Entity*, and GASB 39, *Determining Whether Certain Organizations Are Component Units*. The criteria used by the Town to evaluate whether additional entities should be included in the Town's reporting entity as component units 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 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 square miles and serves a population of approximately 10,228 as of December 31, 2011. 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 established in May 1945.

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 Company responds to over 400 alarms and accidents every year and is capable of handling most fire and rescue needs. The Town is served by a volunteer ambulance service operated by the American Legion and by an Emergency Management Service (EMS) provided by Kent County. The Town provides funding to the Citizens' Hose Company and the Legion for assistance with operating supplies. These payments are part of the General Fund operating budget. Both the fire and ambulance services receive dedicated "impact fees" to help them meet their capital needs generated by new development.

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

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

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

Town Facilities and Departments

The Town's main administration building, located at 27 South Market Street Plaza, houses the Town Manager's Office, Business Office, Planning and Inspection Office and Council Chambers. The Town Manager is responsible for implementing policies enacted by the Mayor and Council by providing day-to-day administration and operations management of the Town Staff. The Business Office handles 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 handles electric service, trash service, streets and parks maintenance, fleet management, water treatment and distribution, and sewer service (collection and conveyance only; treatment is provided by Kent County). 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 III, Wal-Mart Distribution Center, Smyrna School District, Delaware Health and Social Services, Bay Health Medical Center and the Town of Smyrna.

A total of 33 new businesses opened in 2011. Included in the new businesses were a music studio, a deli, two restaurants, a law office, two daycare facilities, a gym and nutrition club, a wide variety of professional and general offices and retail stores offering products from personal services to beauty supplies.

The current unemployment rate within Kent County decreased to 7.2 percent from 8.2 percent in the prior year and is equal with the State's unemployment rate of 7.2 percent. This rate is below 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 10,228, 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.

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

While new construction continued during the fiscal year, construction fees received declined by approximately 52 percent from the prior year. This decline is a reflection of the economic slowdown within the last year. Nevertheless, the Town issued approximately 341 building permits with a construction value of \$8.6 million, including 50 commercial permits and 32 residential permits. During 2011, the Town approved 33 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 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 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, scheduled for initiation in 2013. This initiative will improve utilities and the commercial vitality of two more blocks of the historic downtown area.

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

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

upgrades of a number of lift stations. The Town has applied for a United States Department of Agriculture (USDA) loan to construct a water system that will extend into future growth areas north of Town 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. This project continued in 2011.

The Town is a recipient of a recycling grant to help implement curbside recycling for all single-family homes and some businesses. The program started on July 1, 2011 and has been running smoothly.

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.

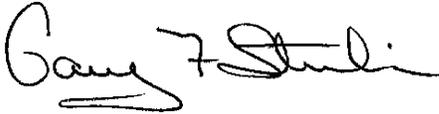
To The Honorable Mayor, Members of Council and Citizens of the
Town of Smyrna

Awards and 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, 2010. 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.

The completion of this CAFR represents the third 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 Mayor and the Town Council for their cooperation and outstanding assistance in matters pertaining to the financial affairs of the Town.



Gary F. Stulir
Manager of 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, 2010

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.



Linda C. Dandson

President

Jeffrey R. Emswiler

Executive Director

TOWN OF SMYRNA

List of Elected and Appointed Officials

December 31, 2011

Elected Officials

Patricia Stombaugh
Regina Brown
Jeffrey Flairty
Valerie M. White
Robert L. Riddagh
Anthony H. DeFeo
Joanne Masten

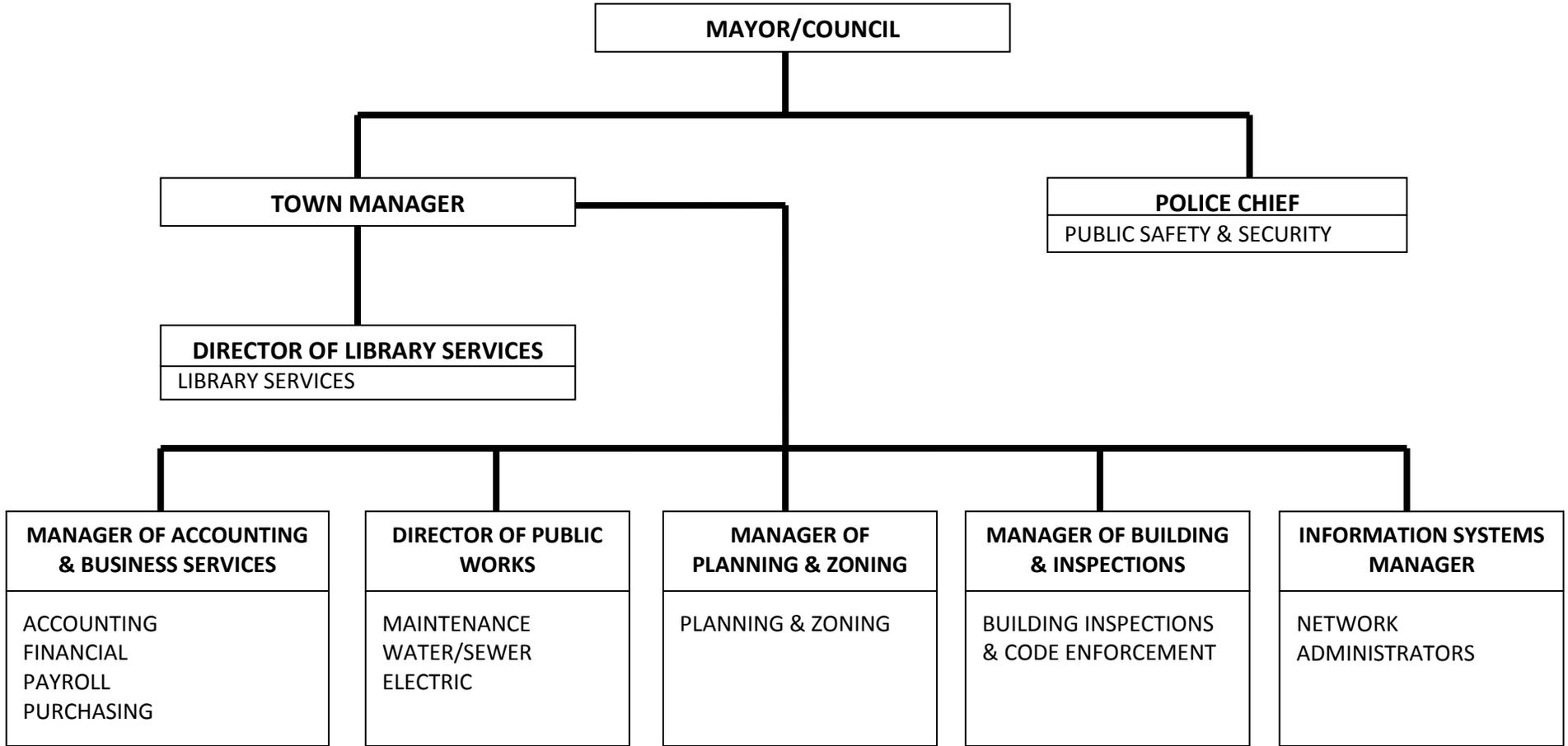
Mayor
Council Member – District 1
Council Member – District 2
Council Member – District 3
Council Member – District At Large
Council Member – District At Large
Council Member – District At Large

Appointed Officials

David S. Hugg
Wilbert Bordley
John T. Jaywork

Town Manager
Police Chief
Attorney

TOWN OF SMYRNA ORGANIZATIONAL CHART



FINANCIAL SECTION



Photo by Jennifer Coulbourne

INDEPENDENT AUDITORS' REPORT

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

May 23, 2012

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F 302.468.4001
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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, 2011, 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 opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Town's 2010 financial statements and, in our report dated May 10, 2011, 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, 2011, 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 23, 2012, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 to 24 and the schedule of funding progress - pension plans, schedule of employer contributions - pension plans, post-employment health care benefits - schedule of funding progress and post-employment health care benefits - schedule of annual employer cost on pages 68 to 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smyrna, Smyrna, Delaware's financial statements as a whole. The introductory section, combining nonmajor fund financial statements, combining fiduciary fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. The combining nonmajor fund financial statements, combining fiduciary fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.


BARBACANE, THORNTON & COMPANY LLP

**Town of Smyrna
Management's Discussion and Analysis - Unaudited
December 31, 2011**

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, 2011. 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 59 percent of total revenues and program revenues 41 percent of total revenues (prior year, 62 percent and 38 percent, respectively). A significant portion of the general revenues percentage decrease is attributable to the decrease in transfer taxes received in 2011 due to the slowdown in the real estate market. The increase in the program revenues percentage is attributed mostly to the developer dedications for infrastructure in 2011.
- In the governmental activities, current total expenses increased from \$8,770,069 in 2010 to \$9,330,677 in 2011. This represents a six percent increase. The increase was primarily due to the Town receiving a recycling grant and, therefore, had related grant expenses to improve the Town's recycling program. In addition, the Town paid penalties for prepaying the 2007A and 2007B bank notes which had a balloon payment scheduled for May 2012. The Town issued the 2011 General Obligation Bond series, which has a lower interest rate.
- Total revenues in the Town's General Fund decreased from \$5,302,042 in 2010 to \$5,030,989 in 2011. This represents approximately a five percent decrease. The decrease is primarily attributed to a decrease in transfer taxes due to the slowdown in the real estate market and a decrease in real estate tax collections due to initial enforcement action taken in the prior year.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,606,143, which is a decrease from the prior year balance of \$3,752,341. This decrease is primarily due to reduced transfer and property taxes as stated above. Expenditures remained about the same with approximately a two percent reduction.
- As of the end of the current fiscal year, the Town's business-type activities reported net assets of \$27,216,073, an increase of \$1,476,074 as compared to the prior year. The current year increase in net assets can be attributed primarily to developer infrastructure capital contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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, 2011

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, 2011

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 31 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 pages 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 67 of this report.

**Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2011**

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 70 to 73 of this report.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Smyrna, assets exceeded liabilities by \$45,109,242 at the close of the most recent calendar year. The table below summarizes the net assets of the Town at December 31, 2011 and 2010.

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Current and other assets	\$ 5,323,769	\$ 5,545,300	\$ 7,301,224	\$ 7,632,472	\$12,624,993	\$13,177,772
Capital and related assets	<u>19,704,617</u>	<u>19,857,665</u>	<u>33,645,245</u>	<u>31,500,708</u>	<u>53,349,862</u>	<u>51,358,373</u>
Total Assets	<u>25,028,386</u>	<u>25,402,965</u>	<u>40,946,469</u>	<u>39,133,180</u>	<u>65,974,855</u>	<u>64,536,145</u>
Liabilities:						
Long-term liabilities	5,790,205	4,861,800	10,393,390	9,362,274	16,183,595	14,224,074
Other liabilities	<u>1,345,012</u>	<u>1,391,605</u>	<u>3,337,006</u>	<u>4,030,907</u>	<u>4,682,018</u>	<u>5,422,512</u>
Total Liabilities	<u>7,135,217</u>	<u>6,253,405</u>	<u>13,730,396</u>	<u>13,393,181</u>	<u>20,865,613</u>	<u>19,646,586</u>
Net Assets:						
Invested in capital assets, net of related debt	16,410,827	16,779,039	23,200,177	23,321,078	39,611,004	40,100,117
Unrestricted (deficit)	864,028	(714,297)	2,979,349	2,255,968	3,843,377	1,541,671
Restricted	<u>618,314</u>	<u>3,084,818</u>	<u>1,036,547</u>	<u>162,953</u>	<u>1,654,861</u>	<u>3,247,771</u>
TOTAL NET ASSETS	<u>\$17,893,169</u>	<u>\$19,149,560</u>	<u>\$27,216,073</u>	<u>\$25,739,999</u>	<u>\$45,109,242</u>	<u>\$44,889,559</u>

By far, the largest portion of the Town's net assets (88 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 (four percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,843,377, 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, 2011**

The Town's net assets increased by \$219,683 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 \$1,256,391. This decrease is mostly due to an increase in public works expenditures in implementing the Town's recycling program and prepayment penalties in paying off the 2007A and 2007B bank notes.

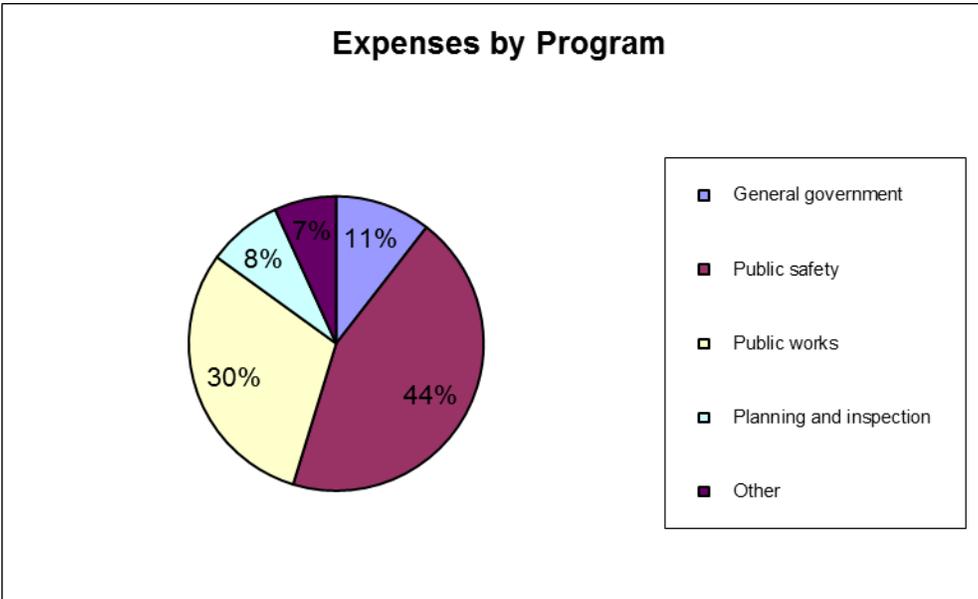
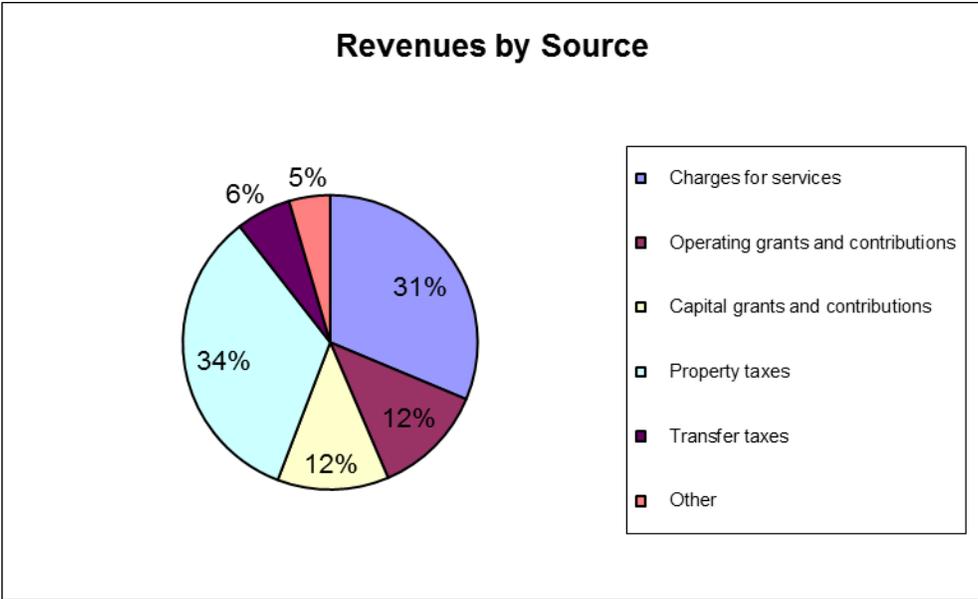
Business-type Activities. Business-type activities increased the Town's net assets by \$1,476,074. This was mostly due to an increase in capital infrastructure contributions from developers.

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$ 1,874,456	\$ 2,016,418	\$17,345,020	\$17,285,080	\$19,219,476	\$19,301,498
Operating grants and contributions	734,687	485,541	21,365	-	756,052	485,541
Capital grants and contributions	732,075	107,875	1,618,655	600,108	2,350,730	707,983
General revenues:						
Property taxes	2,015,044	2,074,467	-	-	2,015,044	2,074,467
Transfer taxes	361,336	561,542	-	-	361,336	561,542
Franchise fees	146,203	143,993	-	-	146,203	143,993
Investment earnings	5,827	11,037	140	121	5,967	11,158
Other	117,937	193,559	-	-	117,937	193,559
TOTAL REVENUES	5,987,565	5,594,432	18,985,180	17,885,309	24,972,745	23,479,741
EXPENSES						
General government	979,679	639,478	-	-	979,679	639,478
Public safety	4,126,417	4,173,614	-	-	4,126,417	4,173,614
Public works	2,824,054	2,529,000	-	-	2,824,054	2,529,000
Planning and inspection	766,442	702,608	-	-	766,442	702,608
Library	292,287	245,271	-	-	292,287	245,271
Culture and recreation	206,521	325,927	-	-	206,521	325,927
Business park	10,360	11,155	-	-	10,360	11,155
Neighborhood housing rehabilitation	-	-	-	-	-	-
Interest on long-term debt	124,917	143,016	-	-	124,917	143,016
Electric	-	-	12,543,281	12,695,759	12,543,281	12,695,759
Water/sewer	-	-	2,879,104	2,918,014	2,879,104	2,918,014
TOTAL EXPENSES	9,330,677	8,770,069	15,422,385	15,613,773	24,753,062	24,383,842
Change in net assets before transfers	(3,476,677)	(3,175,637)	3,562,795	2,271,536	219,683	(904,101)
Transfers	2,086,721	1,281,763	(2,086,721)	(1,281,763)	-	-
CHANGE IN NET ASSETS	(1,256,391)	(1,893,874)	1,476,074	989,773	219,683	(904,101)
NET ASSETS, BEGINNING OF YEAR	19,149,560	21,043,434	25,739,999	24,750,226	44,889,559	45,793,660
NET ASSETS, END OF YEAR	\$17,893,169	\$19,149,560	\$27,216,073	\$25,739,999	\$45,148,916	\$44,889,559

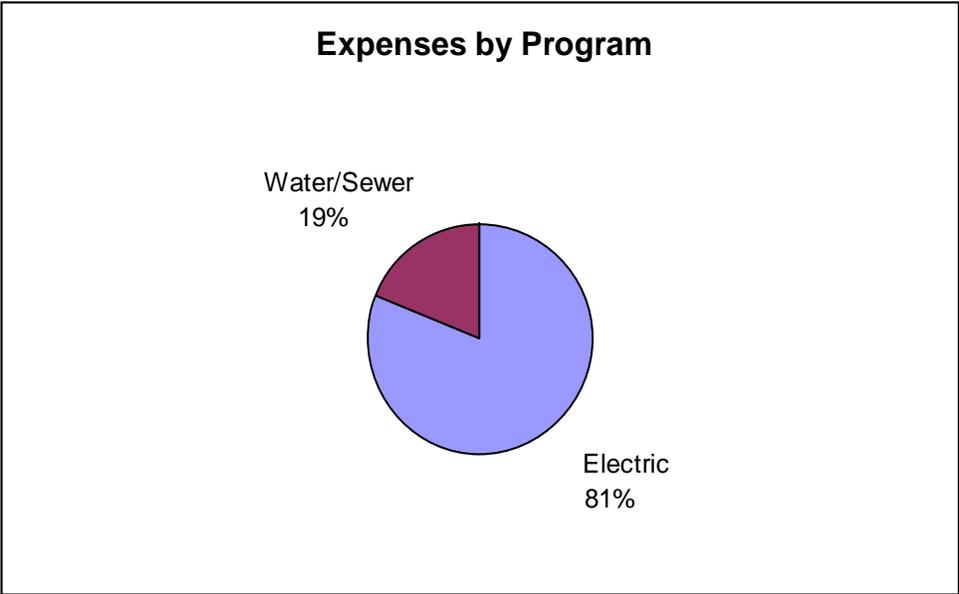
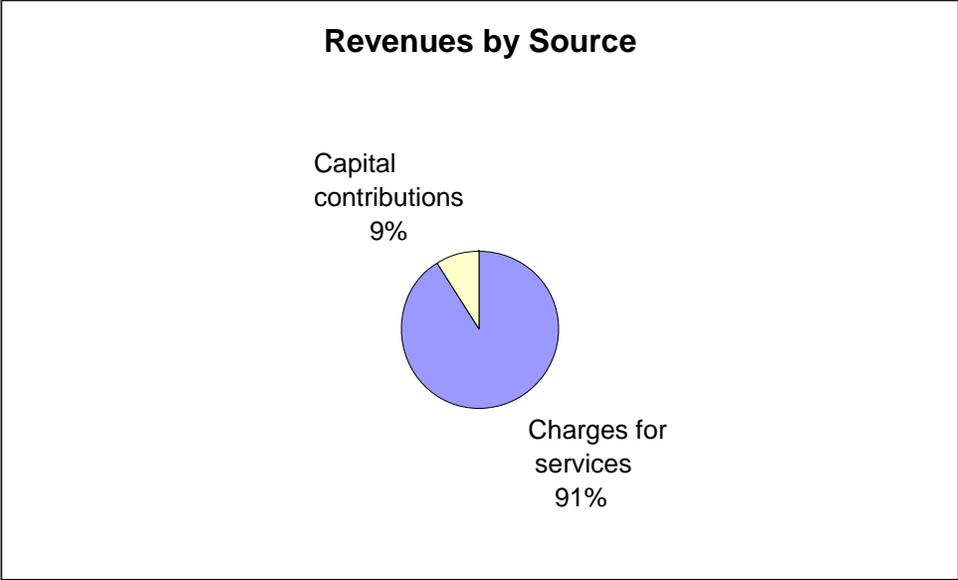
**Town of Smyrna
Management's Discussion and Analysis - Unaudited (cont'd)
December 31, 2011**

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, 2011**

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, 2011**

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, *unassigned 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 \$3,606,143. The primary component of this figure is the fund balance of the Capital Reserve Fund at \$2,177,953, which is assigned 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 \$809,876, of which \$727,425 was considered unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. As of December 31, 2011, unassigned fund balance represented approximately ten percent of total general fund expenditures.

The fund balance of the Town's General Fund increased by \$142,353 during the current calendar year. This is an increase of 21 percent as compared to the prior year increase of 50 percent in fund balance. This increase is not as large due mostly to the decrease in transfer taxes received in 2011 as compared to 2010.

The fund balance of the Town's Capital Reserve Fund decreased by \$424,777 during the current calendar year. This decrease is primarily due to transfers out to the General Fund.

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

The unrestricted net assets of the Water and Sewer Fund and the Electric Fund at the end of the year amounted to \$2,979,349. The total growth in net assets for both funds was \$1,224,738 and \$251,336, 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 2011 budget.
- Actual revenues exceeded budgeted revenue by \$147,989, or three percent of the total revenue budget. This is due primarily to special assessment and impact fees exceeding budgeted amounts.
- Actual expenditures were \$95,044 under budgeted amounts, or approximately 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, 2011**

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, 2011 amounts to \$53,196,791 (net of accumulated depreciation). The following table shows the breakdown of this figure.

CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,110,795	\$ 1,110,795	\$ 85,171	\$ 85,171	\$ 1,195,966	\$ 1,195,966
Construction-in-progress	34,280	34,280	787,713	1,024,091	821,993	1,058,371
Land improvements	329,891	353,782	-	-	329,891	353,782
Buildings and improvements	5,541,467	5,674,770	2,454,585	2,516,017	7,996,052	8,190,787
Infrastructure	11,564,611	11,429,839	30,012,290	27,619,439	41,576,901	39,049,278
Machinery and equipment	1,059,552	1,254,199	216,436	255,990	1,275,988	1,510,189
	<u>\$ 19,640,596</u>	<u>\$ 19,857,665</u>	<u>\$ 33,556,195</u>	<u>\$ 31,500,708</u>	<u>\$ 53,196,791</u>	<u>\$ 51,358,373</u>

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

- Infrastructure capital contributions totaling \$687,800

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

- Town's water distribution project totaling \$1,369,551
- Town's waste water system project totaling \$341,725
- General electrical installation costs due to continued growth in Smyrna totaling \$358,285
- Water and Sewer Infrastructure contributions totaling \$938,001

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

	Outstanding Debt Bonds and Loans Payable	
	2011	2010
Governmental activities	\$ 3,275,000	\$ 3,078,626
Business-type activities	<u>10,417,177</u>	<u>9,922,442</u>
TOTAL	<u>\$ 13,692,177</u>	<u>\$ 13,001,068</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, 2011**

In 2011, the Town issued General Obligation Bond Series 2011 totaling \$7,715,000. This issue prepaid the 2007A and 2007B bank notes.

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 2012 budget in December 2011. This budget totaled \$5,404,633 in revenues and \$7,619,809 in expenditures. The difference between budgeted revenues and expenditures will be subsidized through operating transfers from the proprietary funds. This budget represents an increase in budgeted revenues of eleven percent and an increase 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 7.2 percent in December 2011. The state's unemployment rate also was reported at 7.2 percent.
- The Town's total population at December 2011 is currently estimated at 10,228, an increase from the 2001 census, which placed the Town's total population at 10,023.
- The Town's occupancy rate for its central business district is currently 90 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, 2011
(With Summarized Comparative Data for December 31, 2010)

	Governmental Activities	Business-type Activities	Totals	
			2011	2010
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 474,154	\$ 1,662,140	\$ 2,136,294	\$ 348,849
Investments	3,547,736	107,447	3,655,183	4,076,602
Taxes receivable	192,583	-	192,583	151,199
Accounts receivable	469,222	3,901,606	4,370,828	4,270,215
Grants receivable	208,111	-	208,111	78,982
Inventory	28,310	821,149	849,459	908,981
Due from other governments	-	169,242	169,242	2,295,955
Prepaid expenses	403,653	96,754	500,407	561,381
Meter deposits	-	542,886	542,886	485,608
Total Current Assets	5,323,769	7,301,224	12,624,993	13,177,772
Noncurrent Assets:				
Bond issue costs	64,021	89,050	153,071	-
Capital assets, net:				
Land	1,110,795	85,171	1,195,966	1,195,966
Construction-in-progress	34,280	787,713	821,993	1,058,371
Land improvements	329,891	-	329,891	353,782
Buildings and improvements	5,541,467	2,454,585	7,996,052	8,190,787
Infrastructure	11,564,611	30,012,290	41,576,901	39,049,278
Machinery and equipment	1,059,552	216,436	1,275,988	1,510,189
Total Noncurrent Assets	19,704,617	33,645,245	53,349,862	51,358,373
TOTAL ASSETS	\$ 25,028,386	\$ 40,946,469	\$ 65,974,855	\$ 64,536,145
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 165,002	\$ 1,304,621	\$ 1,469,623	\$ 1,849,830
Accrued salaries and benefits	100,220	19,179	119,399	128,639
Accrued interest	38,480	62,037	100,517	24,073
Developer deposits	170,458	1,070,121	1,240,579	1,221,532
Deferred revenue	710,197	7,519	717,716	712,309
Bonds payable	122,550	162,450	285,000	-
Loans payable	-	156,555	156,555	945,064
Accrued compensated absences	38,105	11,638	49,743	55,457
Meter deposits	-	542,886	542,886	485,608
Total Current Liabilities	1,345,012	3,337,006	4,682,018	5,422,512
Noncurrent Liabilities:				
Portions due or payable after one year				
Accrued compensated absences	342,946	104,742	447,688	442,967
Post-employment benefits	2,340,040	251,635	2,591,675	1,725,103
Bonds payable	3,152,450	4,277,550	7,430,000	-
Unamortized bond discount	(45,231)	(61,159)	(106,390)	-
Loans payable	-	5,820,622	5,820,622	12,056,004
Total Noncurrent Liabilities	5,790,205	10,393,390	16,183,595	14,224,074
TOTAL LIABILITIES	7,135,217	13,730,396	20,865,613	19,646,586
NET ASSETS				
Invested in capital assets, net of related debt	16,410,827	23,200,177	39,611,004	40,100,117
Restricted for police	93,791	-	93,791	66,301
Restricted for public works	524,523	-	524,523	416,287
Restricted for capital projects	-	1,036,547	1,036,547	162,953
Unrestricted	864,028	2,979,349	3,843,377	4,143,901
TOTAL NET ASSETS	17,893,169	27,216,073	45,109,242	44,889,559
TOTAL LIABILITIES AND NET ASSETS	\$ 25,028,386	\$ 40,946,469	\$ 65,974,855	\$ 64,536,145

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

**TOWN OF SMYRNA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Comparative Data for the Year Ended December 31, 2010)**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Totals	
						Business-type Activities	2011	2010	
GOVERNMENTAL ACTIVITIES									
General government	\$ 979,679	\$ 213,500	\$ -	\$ -	\$ (766,179)	\$ -	\$ (766,179)	\$ (326,554)	
Public safety	4,126,417	118,042	278,411	-	(3,729,964)	-	(3,729,964)	(3,810,210)	
Public works	2,824,054	1,138,606	359,287	732,075	(594,086)	-	(594,086)	(1,153,630)	
Planning and inspection	766,442	323,075	-	-	(443,367)	-	(443,367)	(312,904)	
Library	292,287	81,233	96,989	-	(114,065)	-	(114,065)	(76,839)	
Culture and recreation	206,521	-	-	-	(206,521)	-	(206,521)	(325,927)	
Business park	10,360	-	-	-	(10,360)	-	(10,360)	(11,155)	
Interest on long-term debt	124,917	-	-	-	(124,917)	-	(124,917)	(143,016)	
TOTAL GOVERNMENTAL ACTIVITIES	<u>9,330,677</u>	<u>1,874,456</u>	<u>734,687</u>	<u>732,075</u>	<u>(5,989,459)</u>	<u>-</u>	<u>(5,989,459)</u>	<u>(6,160,235)</u>	
BUSINESS-TYPE ACTIVITIES									
Electric	12,543,281	14,047,848	-	149,494	-	1,654,061	1,654,061	1,345,043	
Water/Sewer	2,879,104	3,297,172	21,365	1,469,161	-	1,908,594	1,908,594	926,372	
TOTAL BUSINESS-TYPE ACTIVITIES	<u>15,422,385</u>	<u>17,345,020</u>	<u>21,365</u>	<u>1,618,655</u>	<u>-</u>	<u>3,562,655</u>	<u>3,562,655</u>	<u>2,271,415</u>	
TOTAL PRIMARY GOVERNMENT	<u>\$ 24,753,062</u>	<u>\$ 19,219,476</u>	<u>\$ 756,052</u>	<u>\$ 2,350,730</u>	<u>(5,989,459)</u>	<u>3,562,655</u>	<u>(2,426,804)</u>	<u>(3,888,820)</u>	
		GENERAL REVENUES							
		Taxes:							
					2,015,044	-	2,015,044	2,074,467	
					361,336	-	361,336	561,542	
					146,203	-	146,203	143,993	
					5,827	140	5,967	11,158	
					117,937	-	117,937	193,559	
					2,086,721	(2,086,721)	-	-	
					<u>4,733,068</u>	<u>(2,086,581)</u>	<u>2,646,487</u>	<u>2,984,719</u>	
					(1,256,391)	1,476,074	219,683	(904,101)	
					19,149,560	25,739,999	44,889,559	45,793,660	
					<u>\$ 17,893,169</u>	<u>\$ 27,216,073</u>	<u>\$ 45,109,242</u>	<u>\$ 44,889,559</u>	

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

**TOWN OF SMYRNA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(With Summarized Comparative Data for December 31, 2010)**

	General	Capital Reserve Fund	Nonmajor Governmental Funds	Totals	
				2011	2010
ASSETS					
Cash and cash equivalents	\$ 140,717	\$ 145,896	\$ 187,541	\$ 474,154	\$ 242,845
Investments	1,099,704	2,037,788	410,244	3,547,736	3,969,183
Taxes receivable	192,583	-	-	192,583	151,199
Accounts receivable	457,952	11,270	-	469,222	608,073
Grants receivable	132,858	-	75,253	208,111	78,982
Prepaid items	54,141	-	-	54,141	177,967
Inventory	28,310	-	-	28,310	25,781
TOTAL ASSETS	\$ 2,106,265	\$ 2,194,954	\$ 673,038	\$ 4,974,257	\$ 5,254,030
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 93,277	\$ 17,001	\$ 54,724	\$ 165,002	\$ 248,640
Accrued salaries and benefits	100,220	-	-	100,220	146,419
Deferred revenue	932,434	-	-	932,434	940,572
Developer deposits	170,458	-	-	170,458	166,058
TOTAL LIABILITIES	1,296,389	17,001	54,724	1,368,114	1,501,689
FUND BALANCES:					
Nonspendable	82,451	-	-	82,451	203,748
Restricted for police	-	-	93,791	93,791	66,301
Restricted for public works	-	-	524,523	524,523	416,287
Assigned for capital projects	-	2,177,953	-	2,177,953	2,602,230
Unassigned	727,425	-	-	727,425	463,775
TOTAL FUND BALANCES	809,876	2,177,953	618,314	3,606,143	3,752,341
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,106,265	\$ 2,194,954	\$ 673,038	\$ 4,974,257	\$ 5,254,030

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, 2011**

TOTAL GOVERNMENTAL FUND BALANCES \$ 3,606,143

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. 19,640,596

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. 222,237

The net pension asset resulting from contributions in excess of the annual required contribution in 2011 (police and employee) is not a current financial resource and, therefore, is not reported in the governmental funds.

Police Pension Plan	\$ 87,663	
Employee Pension Plan	<u>261,849</u>	349,512

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

Bonds payable	\$(3,275,000)	
Post-employment benefits	(2,340,040)	
Accrued interest	<u>(38,480)</u>	(5,653,520)

Issuance of debt resulted in deferred charges which will be amortized over the life of the new debt, but do not represent current rights. 109,252

Compensated absences that are not due and payable in the current period are not reported in the funds. (381,051)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 17,893,169

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

TOWN OF SMYRNA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Comparative Data for the Year Ended December 31, 2010)

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Totals	
				2011	2010
REVENUES					
Taxes:					
Property taxes	\$ 2,024,737	\$ -	\$ -	\$ 2,024,737	\$ 2,128,117
Transfer taxes	361,336	-	-	361,336	561,542
Special assessment/impact fees	182,977	-	-	182,977	286,527
Charges for services	1,183,416	-	-	1,183,416	1,091,512
Intergovernmental	546,692	44,275	228,860	819,827	716,691
Licenses, fees and permits	269,741	-	-	269,741	377,760
Fines and forfeits	130,298	-	-	130,298	87,287
Franchise fees	146,203	-	-	146,203	143,993
Investment income	493	5,091	243	5,827	11,037
Miscellaneous	185,096	-	-	185,096	243,616
TOTAL REVENUES	<u>5,030,989</u>	<u>49,366</u>	<u>229,103</u>	<u>5,309,458</u>	<u>5,648,082</u>
EXPENDITURES					
Current:					
General government	657,211	90,414	-	747,625	545,586
Public safety	3,482,071	-	13,138	3,495,209	3,661,984
Public works	1,950,492	-	80,239	2,030,731	1,814,602
Planning and inspection	730,730	-	-	730,730	695,978
Library	264,527	-	-	264,527	234,277
Culture and recreation	176,990	-	-	176,990	313,789
Business park	10,360	-	-	10,360	11,155
Debt service:					
Principal	-	18,640	-	18,640	111,549
Interest	53,230	34,916	-	88,146	143,232
Bond issuance costs	-	66,515	-	66,515	-
Capital outlays	-	80,925	-	80,925	303,907
TOTAL EXPENDITURES	<u>7,325,611</u>	<u>291,410</u>	<u>93,377</u>	<u>7,710,398</u>	<u>7,836,059</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,294,622)</u>	<u>(242,044)</u>	<u>135,726</u>	<u>(2,400,940)</u>	<u>(2,187,977)</u>
OTHER FINANCING SOURCES (USES)					
Prepayment of note	-	(3,059,986)	-	(3,059,986)	-
Bond proceeds	-	3,275,000	-	3,275,000	-
Bond discount	-	(46,993)	-	(46,993)	-
Transfers in	2,436,975	62,002	-	2,498,977	2,414,739
Transfers out	-	(412,256)	-	(412,256)	(1,132,976)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,436,975</u>	<u>(182,233)</u>	<u>-</u>	<u>2,254,742</u>	<u>1,281,763</u>
NET CHANGES IN FUND BALANCES	142,353	(424,277)	135,726	(146,198)	(906,214)
FUND BALANCES, BEGINNING OF YEAR	<u>667,523</u>	<u>2,602,230</u>	<u>482,588</u>	<u>3,752,341</u>	<u>4,658,555</u>
FUND BALANCES, END OF YEAR	<u>\$ 809,876</u>	<u>\$ 2,177,953</u>	<u>\$ 618,314</u>	<u>\$ 3,606,143</u>	<u>\$ 3,752,341</u>

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

TOWN OF SMYRNA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (146,198)

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 (\$971,230) exceeded capital outlays (\$754,161). (217,069)

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. (9,693)

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. (196,374)

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	\$ (40,269)	
Net pension assets - Police Plan	13,243	
Net pension assets - Employee Plan	44,999	
Accrued interest	(32,515)	
Bond issuance and bond discount	109,252	
Net OPEB obligation	<u>(781,767)</u>	<u>(687,057)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (1,256,391)

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

**TOWN OF SMYRNA
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property taxes	\$ 2,050,000	\$ 2,050,000	\$ 2,024,737	\$ (25,263)
Transfer taxes	600,000	600,000	361,336	(238,664)
Special assessment/impact fees	-	-	182,977	182,977
Charges for services	1,128,000	1,128,000	1,183,416	55,416
Intergovernmental	325,000	325,000	546,692	221,692
Licenses, fees and permits	490,000	490,000	269,741	(220,259)
Fines and forfeits	110,000	110,000	130,298	20,298
Franchise fees	135,000	135,000	146,203	11,203
Investment income	5,000	5,000	493	(4,507)
Miscellaneous	40,000	40,000	185,096	145,096
TOTAL REVENUES	<u>4,883,000</u>	<u>4,883,000</u>	<u>5,030,989</u>	<u>147,989</u>
EXPENDITURES				
Current:				
General government	702,187	702,187	657,211	44,976
Public safety	3,765,595	3,765,595	3,482,071	283,524
Public works	1,759,102	1,759,102	1,950,492	(191,390)
Planning and inspection	631,936	631,936	730,730	(98,794)
Library	287,874	287,874	264,527	23,347
Culture and recreation	261,961	261,961	176,990	84,971
Business park	12,000	12,000	10,360	1,640
Debt service:				
Interest	-	-	53,230	(53,230)
TOTAL EXPENDITURES	<u>7,420,655</u>	<u>7,420,655</u>	<u>7,325,611</u>	<u>95,044</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,537,655)</u>	<u>(2,537,655)</u>	<u>(2,294,622)</u>	<u>243,033</u>
OTHER FINANCING SOURCES				
Transfers in	2,537,655	2,537,655	2,436,975	(100,680)
TOTAL OTHER FINANCING SOURCES	<u>2,537,655</u>	<u>2,537,655</u>	<u>2,436,975</u>	<u>(100,680)</u>
NET CHANGES IN FUND BALANCE	-	-	142,353	142,353
FUND BALANCE, BEGINNING OF YEAR	<u>667,523</u>	<u>667,523</u>	<u>667,523</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 667,523</u>	<u>\$ 667,523</u>	<u>\$ 809,876</u>	<u>\$ 142,353</u>

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

TOWN OF SMYRNA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2011
(With Summarized Comparative Data for December 31, 2010)

	Electric Fund	Water and Sewer Fund	Totals	
			2011	2010
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 410,052	\$ 1,252,088	\$ 1,662,140	\$ 106,004
Investments	107,447	-	107,447	107,419
Due from other governments	-	169,242	169,242	2,295,955
Accounts receivable	3,411,977	489,629	3,901,606	3,662,142
Inventory	749,824	71,325	821,149	883,200
Prepaid items	64,987	31,767	96,754	92,144
Restricted Assets:				
Meter deposits	542,686	200	542,886	485,608
Total Current Assets	<u>5,286,973</u>	<u>2,014,251</u>	<u>7,301,224</u>	<u>7,632,472</u>
Noncurrent Assets:				
Bond issue costs	89,050	-	89,050	-
Capital assets, net	12,526,845	21,029,350	33,556,195	31,500,708
	<u>12,615,895</u>	<u>21,029,350</u>	<u>33,645,245</u>	<u>31,500,708</u>
TOTAL ASSETS	<u>\$ 17,902,868</u>	<u>\$ 23,043,601</u>	<u>\$ 40,946,469</u>	<u>\$ 39,133,180</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 829,627	\$ 474,994	\$ 1,304,621	\$ 1,601,190
Accrued salaries and benefits	12,428	6,751	19,179	26,323
Accrued interest	51,008	11,029	62,037	18,108
Developer deposits	1,070,121	-	1,070,121	1,055,474
Deferred revenue	7,519	-	7,519	3,667
Accrued compensated absences	6,309	5,329	11,638	11,354
Current portion of bonds payable	162,450	-	162,450	-
Current portion of loans payable	-	156,555	156,555	829,183
Current Liabilities Payable from Restricted Assets:				
Meter deposits	542,686	200	542,886	485,608
Total Current Liabilities	<u>2,682,148</u>	<u>654,858</u>	<u>3,337,006</u>	<u>4,030,907</u>
Noncurrent Liabilities:				
Accrued compensated absences	56,779	47,963	104,742	102,185
Post-employment benefits	167,757	83,878	251,635	166,830
Bonds payable	4,277,550	-	4,277,550	-
Bond discount	(61,159)	-	(61,159)	-
Loans payable	-	5,820,622	5,820,622	9,093,259
Total Noncurrent Liabilities	<u>4,440,927</u>	<u>5,952,463</u>	<u>10,393,390</u>	<u>9,362,274</u>
TOTAL LIABILITIES	<u>7,123,075</u>	<u>6,607,321</u>	<u>13,730,396</u>	<u>13,393,181</u>
NET ASSETS				
Invested in capital assets, net of related debt	8,148,004	15,052,173	23,200,177	23,321,078
Restricted for capital projects	-	1,036,547	1,036,547	162,953
Unrestricted	2,631,789	347,560	2,979,349	2,255,968
TOTAL NET ASSETS	<u>10,779,793</u>	<u>16,436,280</u>	<u>27,216,073</u>	<u>25,739,999</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,902,868</u>	<u>\$ 23,043,601</u>	<u>\$ 40,946,469</u>	<u>\$ 39,133,180</u>

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

TOWN OF SMYRNA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Comparative Data for the Year Ended December 31, 2010)

	Electric Fund	Water and Sewer Fund	Totals	
			2011	2010
OPERATING REVENUES				
User service charges	\$ 13,768,296	\$ 3,274,849	\$ 17,043,145	\$ 17,126,962
Other operating revenue	279,552	22,323	301,875	158,118
Total Operating Revenues	<u>14,047,848</u>	<u>3,297,172</u>	<u>17,345,020</u>	<u>17,285,080</u>
OPERATING EXPENSES				
Electric purchased	9,698,494	-	9,698,494	10,016,793
Sewer charges	-	1,077,135	1,077,135	1,154,711
System maintenance	73,234	203,229	276,463	218,166
Salaries and wages	768,966	523,819	1,292,785	1,395,641
Employee benefits	520,351	313,780	834,131	831,089
Depreciation and amortization	591,845	435,970	1,027,815	997,677
Supplies and maintenance	83,044	46,528	129,572	265,707
Truck and vehicles	23,581	14,131	37,712	52,661
Insurance	34,884	13,719	48,603	43,190
Administration expenses	68,152	49,263	117,415	114,634
Professional services	348,818	114,955	463,773	205,643
Total Operating Expenses	<u>12,211,369</u>	<u>2,792,529</u>	<u>15,003,898</u>	<u>15,295,912</u>
OPERATING INCOME	<u>1,836,479</u>	<u>504,643</u>	<u>2,341,122</u>	<u>1,989,168</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	108	32	140	121
Interest expense	(286,912)	(86,575)	(373,487)	(272,861)
State grants	-	21,365	21,365	-
Intergovernmental	(45,000)	-	(45,000)	(45,000)
Total Nonoperating Revenues (Expenses)	<u>(331,804)</u>	<u>(65,178)</u>	<u>(396,982)</u>	<u>(317,740)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,504,675</u>	<u>439,465</u>	<u>1,944,140</u>	<u>1,671,428</u>
Transfers in	6,548	39,683	46,231	37,629
Transfers out	(1,409,381)	(723,571)	(2,132,952)	(1,319,392)
Federal stimulus funding	-	531,160	531,160	437,050
Developer capital contributions	149,494	938,001	1,087,495	163,058
CHANGE IN NET ASSETS	<u>251,336</u>	<u>1,224,738</u>	<u>1,476,074</u>	<u>989,773</u>
NET ASSETS, BEGINNING OF YEAR	<u>10,528,457</u>	<u>15,211,542</u>	<u>25,739,999</u>	<u>24,750,226</u>
NET ASSETS, END OF YEAR	<u>\$ 10,779,793</u>	<u>\$ 16,436,280</u>	<u>\$ 27,216,073</u>	<u>\$ 25,739,999</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, 2011
(With Summarized Comparative Data for the Year Ended December 31, 2010)

	Electric Fund	Water and Sewer Fund	Totals	
			2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Received from customers	\$ 13,885,901	\$ 3,280,785	\$ 17,166,686	\$ 17,420,055
Paid to suppliers for goods and services	(10,494,093)	(1,594,200)	(12,088,293)	(11,762,091)
Paid to employees for services	(1,239,916)	(806,499)	(2,046,415)	(2,128,748)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,151,892</u>	<u>880,086</u>	<u>3,031,978</u>	<u>3,529,216</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	6,548	39,683	46,231	37,629
Transfers out	(1,409,381)	(723,571)	(2,132,952)	(1,319,392)
State grants	-	21,365	21,365	-
Grant-in-aid	(45,000)	-	(45,000)	(45,000)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,447,833)</u>	<u>(662,523)</u>	<u>(2,110,356)</u>	<u>(1,326,763)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Repayment of loans payable	(4,098,853)	(660,113)	(4,758,966)	(367,803)
Loan proceeds	-	813,701	813,701	1,359,310
Bond proceeds	4,440,000	-	4,440,000	-
Bond issuance costs	(156,061)	-	(156,061)	-
Developer contributions and repayments of escrows	164,141	-	164,141	(208,332)
Acquisition and construction of capital assets	(381,808)	(1,757,643)	(2,139,451)	(3,136,572)
Federal stimulus funding	-	2,657,873	2,657,873	882,378
Interest paid	(243,846)	(85,711)	(329,557)	(282,336)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(276,427)</u>	<u>968,107</u>	<u>691,680</u>	<u>(1,753,355)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(28)	-	(28)	(34)
Investment income	108	32	140	121
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>80</u>	<u>32</u>	<u>112</u>	<u>87</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	427,712	1,185,702	1,613,414	449,185
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>525,026</u>	<u>66,586</u>	<u>591,612</u>	<u>142,427</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 952,738</u>	<u>\$ 1,252,288</u>	<u>\$ 2,205,026</u>	<u>\$ 591,612</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$ 1,836,479	\$ 504,643	\$ 2,341,122	\$ 1,989,168
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	591,845	435,970	1,027,815	997,677
Changes in assets and liabilities:				
(Increase) Decrease in:				
Accounts receivable	(223,877)	(15,587)	(239,464)	(302,537)
Inventory	98,757	(36,706)	62,051	141,589
Prepaid expenses	(2,787)	(1,823)	(4,610)	(70,685)
Increase (Decrease) in:				
Accounts payable	(259,858)	(36,711)	(296,569)	283,509
Accrued salaries and benefits	(5,247)	(1,896)	(7,143)	10,423
Deferred revenue	3,852	-	3,852	(44,999)
Meter deposits	58,078	(800)	57,278	437,512
Post-employment benefit obligations	56,537	28,268	84,805	86,030
Compensated absences	(1,887)	4,728	2,841	1,529
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,151,892</u>	<u>\$ 880,086</u>	<u>\$ 3,031,978</u>	<u>\$ 3,529,216</u>
Noncash capital and related financing activities:				
Contributions of capital assets from developers	\$ -	\$ 937,998	\$ 937,998	\$ -
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:				
Cash and cash equivalents	\$ 410,052	\$ 1,252,088	\$ 1,662,140	\$ 106,004
Meter deposits - restricted	542,686	200	542,886	485,608
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 952,738</u>	<u>\$ 1,252,288</u>	<u>\$ 2,205,026</u>	<u>\$ 591,612</u>

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

TOWN OF SMYRNA
STATEMENTS OF FIDUCIARY NET ASSETS
DECEMBER 31, 2011
(With Comparative Data for December 31, 2010)

	Totals	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 359,696	\$ 235,279
Investments at fair value:		
Mutual funds	6,969,448	6,016,493
Fixed income	19,006	24,049
Insurance contracts	3,416,330	3,321,024
TOTAL ASSETS	\$ 10,764,480	\$ 9,596,845
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 18,781	\$ 15,050
NET ASSETS		
Assets held in trust for employee pension benefits	10,745,699	9,581,795
TOTAL LIABILITIES AND NET ASSETS	\$ 10,764,480	\$ 9,596,845

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

TOWN OF SMYRNA
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Data for the Year Ended December 31, 2010)

	Totals	
	2011	2010
ADDITIONS:		
Contributions:		
Employer contribution	\$ 1,386,332	\$ 1,141,062
Employee contributions	39,674	-
State aid - police	78,992	96,438
Total Contributions	1,504,998	1,237,500
Investment income:		
Interest and dividends	347,181	307,938
Net appreciation (depreciation) in fair value of investments	(100,617)	412,649
Total Investment Income	246,564	720,587
Less investment expense	156,678	130,644
Net Investment Income	89,886	589,943
TOTAL ADDITIONS	1,594,884	1,827,443
DEDUCTIONS:		
Benefits paid	425,873	294,393
Administrative expenses	5,107	1,989
TOTAL DEDUCTIONS	430,980	296,382
CHANGE IN NET ASSETS	1,163,904	1,531,061
NET ASSETS, BEGINNING OF YEAR	9,581,795	8,050,734
NET ASSETS, END OF YEAR	\$ 10,745,699	\$ 9,581,795

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 interdependencies, 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. 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.

With limited exceptions, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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'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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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 for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. 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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

Fund Equity

Effective January 1, 2011, the Town implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 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 use of resources reported in governmental funds.

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

Nonspendable – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

Restricted – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

Committed – amounts limited by Board policy (e.g., future anticipated costs). These constraints can be removed or changed by equal levels of action. Action or constraint resources should occur prior to fiscal year end.

Assigned – amounts that are intended for a particular purpose such as future benefits funding or segregation of an amount intended to be used at some time in the future. This intent can be expressed by the Board or through the Board delegating this responsibility to the Town Manager through the budgetary process.

Unassigned – amounts available for consumption or not restricted in any manner.

As of June 30, 2011, fund balances are composed of the following:

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Governmental Funds
Nonspendable:				
Prepaid items	\$ 54,141	\$ -	\$ -	\$ 54,141
Inventory	28,310	-	-	28,310
Restricted:				
Police	-	-	93,791	93,791
Public works	-	-	524,523	524,523
Assigned:				
Capital projects	-	2,177,953	-	2,177,953
Unassigned	727,425	-	-	727,425
Total Fund Balances	<u>\$ 809,876</u>	<u>\$ 2,177,953</u>	<u>\$ 618,314</u>	<u>\$ 3,606,143</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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 2011 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.
- 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 2011, there were no revisions to the legally adopted budgets.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2011, the General Fund incurred expenditures in excess of appropriations in the following functions:

Planning and inspection	\$ 98,794
Public works	\$ 191,390
Debt service	\$ 53,230

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.

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, 2011, the carrying amount of the Town's deposits was \$2,679,180 and the bank balance was \$2,909,965. The Town maintains its cash in bank

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

deposit accounts which, at times, may exceed the federally insured limit of \$250,000. In addition to these limits, the FDIC provided unlimited insurance on noninterest-bearing transaction accounts at December 31, 2011. The Town has not experienced any losses in such accounts. As of December 31, 2011, the uninsured balance was \$0.

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

Investments

As of December 31, 2011, the Town had the following investments:

U.S. Treasury bills	\$ 3,049,884
Mutual funds	<u>605,299</u>
	<u>\$ 3,655,183</u>

U.S. Treasury bills 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, 2011, 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.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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 Poor's rating of at least "AA." The Town's investments in mutual funds are rated "AAAm" by Standard and Poor's 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 9 and 10.

NOTE 4 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,110,795	\$ -	\$ -	\$ 1,110,795
Construction-in-progress	34,280	-	-	34,280
Total Capital Assets Not Being Depreciated	<u>1,145,075</u>	<u>-</u>	<u>-</u>	<u>1,145,075</u>
Capital assets being depreciated:				
Buildings and improvements	6,743,611	-	-	6,743,611
Infrastructure	17,178,740	687,800	-	17,866,540
Land improvements	763,726	-	-	763,726
Machinery and equipment	3,780,777	66,361	-	3,847,138
Total Capital Assets Being Depreciated	<u>28,466,854</u>	<u>754,161</u>	<u>-</u>	<u>29,221,015</u>
Less accumulated depreciation for:				
Buildings and improvements	1,068,841	133,303	-	1,202,144
Infrastructure	5,748,901	553,028	-	6,301,929
Land improvements	409,944	23,891	-	433,835
Machinery and equipment	2,526,578	261,008	-	2,787,586
Total accumulated depreciation	<u>9,754,264</u>	<u>971,230</u>	<u>-</u>	<u>10,725,494</u>
Total Capital Assets Being Depreciated, Net	<u>18,712,590</u>	<u>(217,069)</u>	<u>-</u>	<u>18,495,521</u>
Governmental Activities Assets, Net	<u>\$ 19,857,665</u>	<u>\$ (217,069)</u>	<u>\$ -</u>	<u>\$ 19,640,596</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	<u>1,024,091</u>	<u>307,302</u>	<u>543,680</u>	<u>787,713</u>
Total Capital Assets Not Being Depreciated	<u>1,109,262</u>	<u>307,302</u>	<u>543,680</u>	<u>872,884</u>
Capital assets being depreciated:				
Buildings and improvements	3,198,571	-	-	3,198,571
Infrastructure	33,361,112	3,290,730	-	36,651,842
Machinery and equipment	<u>1,254,700</u>	<u>23,097</u>	-	<u>1,277,797</u>
Total Capital Assets Being Depreciated	<u>37,814,383</u>	<u>3,313,827</u>	-	<u>41,128,210</u>
Less accumulated depreciation for:				
Buildings and improvements	682,554	61,432	-	743,986
Infrastructure	5,741,673	897,879	-	6,639,552
Machinery and equipment	<u>998,710</u>	<u>62,651</u>	-	<u>1,061,361</u>
Total accumulated depreciation	<u>7,422,937</u>	<u>1,021,962</u>	-	<u>8,444,899</u>
Total Capital Assets Being Depreciated, Net	<u>30,391,446</u>	<u>2,291,865</u>	-	<u>32,683,311</u>
Business-type Activities Assets, Net	<u>\$ 31,500,708</u>	<u>\$ 2,599,167</u>	<u>\$ 543,680</u>	<u>\$ 33,556,195</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 113,753
Public safety	125,791
Public works	697,315
Planning and inspection	1,562
Library	14,227
Culture and recreation	<u>18,582</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 971,230</u>
Business-type Activities:	
Electric	\$ 585,992
Water	<u>435,970</u>
Total Depreciation Expense - Business-type Activities	<u>\$1,021,962</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:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Loans payable	\$ 3,078,626	\$ -	\$ 3,078,626	\$ -	\$ -
Bonds payable	-	3,275,000	-	3,275,000	122,550
Compensated absences	384,885	275,724	279,558	381,051	38,105
Post-employment benefits	<u>1,558,273</u>	<u>781,767</u>	<u>-</u>	<u>2,340,040</u>	<u>-</u>
TOTAL	<u>\$ 5,021,784</u>	<u>\$ 4,332,491</u>	<u>\$ 3,358,184</u>	<u>\$ 5,996,091</u>	<u>\$ 160,655</u>
Business-type Activities:					
Loans payable	\$ 9,922,442	\$ 813,701	\$ 4,758,966	\$ 5,977,177	\$ 156,555
Bonds payable	-	4,440,000	-	4,440,000	162,450
Compensated absences	113,539	73,301	70,460	116,380	11,638
Post-employment benefits	<u>166,830</u>	<u>84,805</u>	<u>-</u>	<u>251,635</u>	<u>-</u>
TOTAL	<u>\$10,202,811</u>	<u>\$ 5,411,807</u>	<u>\$ 4,829,426</u>	<u>\$10,785,192</u>	<u>\$ 330,643</u>

For the governmental activities, claims, adjustments, compensated absences and post-employment benefit obligations are generally liquidated by the General Fund for the governmental share. The business-type activities liquidate their own portions.

Loans Payable

Governmental Activities:

The Town issued General Obligation Bonds, Series 2011 which was used to prepay the Town's General Obligation Note, Series 2007A and 2007B and pay certain costs of issuance. The loan matures March 1, 2031 and bears interest at 4% to 4.4% payable on March 1 and September 1.

\$ 3,275,000

Total Governmental Activities

\$ 3,275,000

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.

\$ 15,000

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

1,162,217

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. 1,434,138

The Town issued General Obligation Bonds, Series 2011 which was used to prepay the Town's General Obligation Note, Series 2007A and 2007B and pay certain costs of issuance. The loan matures March 1, 2031 and bears interest at 4% to 4.4% payable on March 1 and September 1. 4,440,000

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. 1,519,502

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. 1,846,320

Total Business-type Activities \$10,417,177

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>
2012	\$ 441,555	\$ 330,790	\$ 772,345
2013	463,100	320,946	784,046
2014	464,749	310,847	775,596
2015	474,006	300,840	774,846
2016	488,373	289,579	777,952
2017-2021	2,641,446	1,241,605	3,883,051
2022-2026	2,805,574	792,812	3,598,386
2027-2031	<u>5,913,374</u>	<u>280,888</u>	<u>6,194,262</u>
Total	<u>\$ 13,692,177</u>	<u>\$ 3,868,307</u>	<u>\$ 17,560,484</u>

Compensated Absences

At December 31, 2011, accrued compensated absences for governmental activities totaled \$381,051. This total is comprised of accrued vacation leave of \$159,032 and accrued sick leave of \$222,019. In addition, at December 31, 2011, accrued compensated absences in the business-type activities and proprietary funds totaled \$116,380. This total is comprised of accrued vacation leave of \$50,717 and accrued sick leave of \$65,663.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2011 was as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ -	\$ 2,436,975
Capital Reserve Fund	412,256	62,002
Water and Sewer Fund	723,571	39,683
Electric Fund	<u>1,409,381</u>	<u>6,548</u>
TOTAL	<u>\$ 2,545,208</u>	<u>\$ 2,545,208</u>

Transfers from the proprietary funds to the General Fund represent Council-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, 2011 is as follows:

Governmental Activities:	
Total capital assets, net	\$ 19,640,596
Less: loans/bonds payable	<u>3,229,769</u>
Total Invested in Capital Assets, Net	<u>\$ 16,410,827</u>
Business-type Activities:	
Total capital assets, net	\$ 33,556,195
Less: loans/bonds payable	<u>10,356,018</u>
Total Invested in Capital Assets, Net	<u>\$ 23,200,177</u>

NOTE 8 DEFINED BENEFIT PENSION 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PENSION PLANS (cont'd)

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
For the Year Ended December 31, 2011

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 172,210	\$ 187,486	\$ 359,696
Investments at fair value:			
Mutual funds	2,887,787	4,081,661	6,969,448
Fixed income	9,774	9,232	19,006
Insurance contracts	<u>1,939,884</u>	<u>1,476,446</u>	<u>3,416,330</u>
TOTAL ASSETS	<u>\$ 5,009,655</u>	<u>\$ 5,754,825</u>	<u>\$ 10,764,480</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Liabilities	\$ 13,207	\$ 5,574	\$ 18,781
NET ASSETS			
Assets held in trust for employee pension benefits	<u>4,996,448</u>	<u>5,749,251</u>	<u>10,745,699</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,009,655</u>	<u>\$ 5,754,825</u>	<u>\$ 10,764,480</u>

STATEMENT OF CHANGES IN NET ASSETS - PENSION TRUST FUNDS
For the Year Ended December 31, 2011

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employer contribution	\$ 618,080	\$ 768,252	\$ 1,386,332
Employee contribution	39,674	-	39,674
State aid - police	78,992	-	78,992
Total Contributions	<u>736,746</u>	<u>768,252</u>	<u>1,504,998</u>
Investment Income:			
Interest and dividends	170,694	176,487	347,181
Net depreciation in fair value of investments	<u>(61,752)</u>	<u>(38,865)</u>	<u>(100,617)</u>
Total Investment Income	108,942	137,622	246,564
Less investment expense	<u>75,679</u>	<u>80,999</u>	<u>156,678</u>
Net Investment Income	<u>33,263</u>	<u>56,623</u>	<u>89,886</u>
TOTAL ADDITIONS	<u>770,009</u>	<u>824,875</u>	<u>1,594,884</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PENSION PLANS (cont'd)

STATEMENT OF CHANGES IN NET ASSETS - PENSION TRUST FUNDS
For the Year Ended December 31, 2011

(cont'd)	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
DEDUCTIONS			
Benefits paid	320,657	105,216	425,873
Administrative expenses	2,601	2,506	5,107
TOTAL DEDUCTIONS	<u>323,258</u>	<u>107,722</u>	<u>430,980</u>
CHANGE IN NET ASSETS	446,751	717,153	1,163,904
NET ASSETS, BEGINNING OF YEAR	<u>4,549,697</u>	<u>5,032,098</u>	<u>9,581,795</u>
NET ASSETS, END OF YEAR	<u>\$ 4,996,448</u>	<u>\$ 5,749,251</u>	<u>\$ 10,745,699</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. However, police officer contributions in 2011 were \$39,674.

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, 2011, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	19
Terminated vested participants	4
Retirees and beneficiaries currently receiving benefits	<u>12</u>
	<u>35</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; however, no later than the attainment of age 62 and completion of 5 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 plus 1.0% of highest average compensation multiplied by benefit service earned after June 30, 2011 in excess of 20 years.

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.

Plan member contributions are recognized in the period in which the contributions are due. The Town's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION FUND (cont'd)

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, 2011, the carrying amount of the Police Pension Fund deposits was \$172,210, and the bank balance of the Police Pension Fund deposits was \$172,051. Of this amount, \$171,845 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$206 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, 2011, the Town of Smyrna Police Pension Plan had the following investments:

	<u>Fair Value</u>
Domestic Equity Portfolio	\$ 1,073,572
International Equity Portfolio	397,605
Fixed Income Portfolio	1,015,245
Real Estate Portfolio	137,480
Alternative Portfolio	185,028
Securitized Reserve Portfolio	78,857
Daily Income Fund Money Portfolio	9,774
Unallocated fixed income insurance contracts	<u>1,939,884</u>
Total	<u>\$ 4,837,445</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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION FUND (cont'd)

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.

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, 2011 was eight years. The amortization period is closed.

Actuarial Assumptions:

Investment Return: 6% per year
 Compensation Increase: 4.5% per year
 Inflation Rate: N/A

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2011	\$ 683,829	101.94%	\$ (87,663)
12/31/2010	\$ 636,517	91.45%	\$ (74,420)
12/31/2009	\$ 469,209	100.17%	\$ (128,854)

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION FUND (cont'd)

Annual required contribution	\$ 265,083
Interest on net pension asset	(57,231)
Adjustment to annual required contribution	<u>475,977</u>
Annual pension cost	683,829
Contributions made	<u>(697,072)</u>
Increase in net pension asset	(13,243)
Net pension obligation (asset) – beginning of year	<u>(74,420)</u>
Net pension asset – end of year	<u>\$ (87,663)</u>

	(1)	(2)	(3)	(4)	(5)	(6)
				Unfunded (assets in excess of)		Unfunded (assets in excess of)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Accrued Liability (2)-(1)	Annual Covered Payroll	Liability as a % of Payroll (4)/(5)
1/1/2011	\$5,213,890	\$7,980,933	65.33%	\$2,767,043	\$1,131,507	244.54%

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 Police Pension Fund was taken from the January 1, 2011 Actuarial Valuation presented by Milliman, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA, dated December 31, 2011.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

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, 2011, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	54
Terminated vested participants	23
Retirees and beneficiaries currently receiving benefits	<u>7</u>
	<u>84</u>

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

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

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

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

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.

Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period on which the contributions are due. The Town's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

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, 2011, the carrying amount of the full-time employee pension fund deposits was \$187,486, and the bank balance was \$187,356. Of this amount, \$177,515 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$9,841 was equal to the deposits in a federated prime obligations fund held by the trustee of the pension plan in the Town's name.

Investments

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

As of December 31, 2011, the Town of Smyrna Full-time Employee Pension Plan had the following investments:

	<u>Fair Value</u>
Domestic Equity Portfolio	\$ 1,491,008
International Equity Portfolio	596,240
Fixed Income Portfolio	1,432,494
Real Estate Portfolio	203,386
Alternative Portfolio	244,424
Securitized Reserve Portfolio	114,109
Daily Income Fund Money Portfolio	9,232
Unallocated fixed income insurance contracts	<u>1,476,446</u>
 Total	 <u>\$ 5,567,339</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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

Administrative Costs

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

Annual Pension Cost

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

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

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

The actuarial value of plan assets is equal to the 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, 2011 was eight years. The amortization period is closed.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Actuarial Assumptions

Investment Return: 6% per year
 Compensation Increase: 4.5% per year
 Inflation Rate: N/A

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2011	\$ 708,657	108.41%	\$ (346,774)
12/31/2010	\$ 542,282	91.56%	\$ (287,179)
12/31/2009	\$ 542,282	100.16%	\$ (347,585)

Annual required contribution	\$ 434,835
Interest on net pension asset	(59,309)
Adjustment to annual required contribution	<u>333,131</u>
Annual pension cost	708,657
Contributions made	<u>(768,252)</u>
Increase in net pension asset	(59,595)
Net pension obligation (asset) – beginning of year	<u>(287,179)</u>
Net pension asset – end of year	<u>\$ (346,774)</u>

	(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)
1/1/2011	\$5,720,407	\$6,630,534	86.27%	\$910,127	\$2,525,418	36.04%

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

The above information regarding the Full-time Employees Pension Fund was taken from the January 1, 2011 Actuarial Valuation presented by Milliman, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA, dated February 2012.

NOTE 11 POST-EMPLOYMENT POLICE RETIREMENT BENEFITS

Plan Description

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

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2011, the Town contributed \$48,432 to the plan for current premiums, or approximately 84 percent of total premiums. Plan members receiving benefits contributed \$9,112, 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, 2011 totaled \$57,444.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 613,473	\$ 613,473	\$ 554,963
Adjustment to annual required contribution	<u>(27,458)</u>	<u>(27,458)</u>	<u>-</u>
Annual OPEB cost (expense)	586,015	586,015	554,963
Contributions made	<u>(72,800)</u>	<u>(58,300)</u>	<u>(52,700)</u>
Increase in net OPEB obligation	513,215	527,715	502,263
Net OPEB obligation - beginning of year	<u>1,029,978</u>	<u>502,263</u>	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 1,543,193</u>	<u>\$ 1,029,978</u>	<u>\$ 502,263</u>

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

In the January 1, 2009 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 4.0 percent per annum, discount rate compounded annually, and an annual healthcare cost trend rate of 7.30 percent in 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, 2011 was 12 years.

NOTE 12 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS

Plan Description

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

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2011, the Town contributed \$2,948 to the plan for current premiums, or approximately 56 percent of total premiums. Plan members receiving benefits contributed \$2,339, or approximately 44 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, 2011 totaled \$5,287.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 394,962	\$ 394,962	\$ 354,768
Adjustment to annual required contribution	<u>(18,405)</u>	<u>(18,405)</u>	<u>-</u>
Annual OPEB cost (expense)	376,557	376,557	354,768
Contributions made	<u>(23,200)</u>	<u>(18,100)</u>	<u>(18,100)</u>
Increase in net OPEB obligation	353,357	358,457	336,668
Net OPEB obligation - beginning of year	<u>695,125</u>	<u>336,668</u>	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 1,048,482</u>	<u>\$ 695,125</u>	<u>\$ 336,668</u>

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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, 2011 was 12 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.

NOTE 14 POWER SALES CONTRACTS

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.

Participating members purchase 100 percent of their electric supply requirements from DEMEC under long-term full requirements service contracts that became effective January 1, 2004 and which will remain in effect unless terminated upon one year's written notice by either party. The obligation of the participating member to purchase and pay for full

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 POWER SALES CONTRACTS (cont'd)

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.

Participating members have entered into separate power sales agreements effective May 1, 2011 to purchase an interest in the capacity produced by Unit #1 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. Participating members are entitled to their contractual share 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.

Participating members have entered into separate power sales agreements effective May 1, 2011 to purchase an interest in the capacity produced by United #2 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. Unit #2 is scheduled to go into commercial operation June 1, 2012. Participating members are entitled to their contractual share of all power supply and ancillary products generated from the Unit #2 nominal 50 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 Participating members in all matters relating to the acquisition and delivery of wholesale power supply and management of energy cost risk on behalf of the participating members in the deregulated energy markets.

NOTE 15 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 disallowance of program expenditures.

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 12/31/2011</u>
Water Distribution System Project	\$ 4,210,690	\$ 4,210,690
Waste Water System Project	<u>5,975,000</u>	<u>1,443,227</u>
	<u>\$ 10,185,690</u>	<u>\$ 5,653,917</u>

Certain projects totaling \$4,831,924 within the above noted projects have been completed and placed in service.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 RISK MANAGEMENT

The Town maintains commercial insurance coverage for risk of losses relating to general, automotive, police professionals, 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 17 ADVANCE PAYMENTS

The Town received an advance payment of impact fees totaling \$931,241 in the General Fund. As of December 31, 2011, only an amount totaling \$238,194 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$693,047 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 18 STIMULUS FUNDING PROJECT RECEIPTS AND EXPENDITURES

Revenue Recognized Based on Eligible Project Expenditures	\$ 1,344,861
Revenue Received and Recognized	<u>(1,175,619)</u>
Revenues Due to Town of Smyrna at 12/31/2011	<u>169,242</u>
Federal Funding Revenues Due to Town of Smyrna at 12/31/2011	<u>\$ 169,242</u>
Water Distribution System Project Expenditures	\$ 1,041,491
Waste Water System Project Expenditures	<u>341,725</u>
Total Eligible Project Expenditures at 12/31/2011	<u>\$ 1,383,216</u>

NOTE 19 PRIOR PERIOD ADJUSTMENT

The Town has adjusted its beginning net asset amount for its business-type activities and the water and sewer fund, to accommodate the delayed receipt of reimbursement grants, which once the cash is received, the grants are then considered loans payable to the State. This amount totaled \$1,742,812. The result is a decrease in the beginning net assets of the water and sewer fund.

NOTE 20 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through May 23, 2012, 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%
1/1/11	5,213,890	7,980,933	65.33%	2,767,043	1,131,507	244.54%
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%
1/1/11	5,720,407	6,630,534	86.27%	910,127	2,525,418	36.04%

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
12/31/2011	\$ 265,083	107.74%	\$ 434,835	108.40%
12/31/2010	222,961	261.00%	362,147	187.00%
12/31/2009	193,425	243.00%	349,317	155.00%
12/31/2008	179,527	241.00%	327,516	151.00%
12/31/2007	184,403	252.00%	263,695	170.00%
12/31/2006	138,366	236.00%	181,357	198.00%

POST-EMPLOYMENT HEALTH CARE BENEFITS

SCHEDULE OF FUNDING PROGRESS - TOWN 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 - TOWN EMPLOYEES AND POLICE

	Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Full-time City Employees	12/31/2011	\$ 376,557	6.16%	\$ 1,048,482
Police	12/31/2011	586,015	12.42%	1,543,193
Full-time City Employees	12/31/2010	376,557	4.81%	695,125
Police	12/31/2010	586,015	9.95%	1,029,978
Full-time City Employees	12/31/2009	354,768	5.10%	336,668
Police	12/31/2009	554,963	9.50%	502,263

SUPPLEMENTARY INFORMATION SECTION

**TOWN OF SMYRNA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<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	\$ 93,750	\$ 17,033	\$ 11,268	\$ 54,328	\$ 11,162	\$ 187,541
Investments	410,244	-	-	-	-	410,244
Grants receivable	75,253	-	-	-	-	75,253
TOTAL ASSETS	<u>\$ 579,247</u>	<u>\$ 17,033</u>	<u>\$ 11,268</u>	<u>\$ 54,328</u>	<u>\$ 11,162</u>	<u>\$ 673,038</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 54,724	\$ -	\$ -	\$ -	\$ -	\$ 54,724
FUND BALANCES						
Restricted for:						
Police expenditures	-	17,033	11,268	54,328	11,162	93,791
Public works expenditures	524,523	-	-	-	-	524,523
TOTAL FUND BALANCES	<u>524,523</u>	<u>17,033</u>	<u>11,268</u>	<u>54,328</u>	<u>11,162</u>	<u>618,314</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 579,247</u>	<u>\$ 17,033</u>	<u>\$ 11,268</u>	<u>\$ 54,328</u>	<u>\$ 11,162</u>	<u>\$ 673,038</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
REVENUES						
Intergovernmental	\$ 188,232	\$ 9,788	\$ 9,668	\$ 21,103	\$ 69	\$ 228,860
Investment income	243	-	-	-	-	243
TOTAL REVENUES	<u>188,475</u>	<u>9,788</u>	<u>9,668</u>	<u>21,103</u>	<u>69</u>	<u>229,103</u>
EXPENDITURES						
Current:						
Public safety - police	-	1,035	3	11,476	624	13,138
Public works	80,239	-	-	-	-	80,239
TOTAL EXPENDITURES	<u>80,239</u>	<u>1,035</u>	<u>3</u>	<u>11,476</u>	<u>624</u>	<u>93,377</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>108,236</u>	<u>8,753</u>	<u>9,665</u>	<u>9,627</u>	<u>(555)</u>	<u>135,726</u>
NET CHANGES IN FUND BALANCE	108,236	8,753	9,665	9,627	(555)	135,726
FUND BALANCES, BEGINNING OF YEAR	<u>416,287</u>	<u>8,280</u>	<u>1,603</u>	<u>44,701</u>	<u>11,717</u>	<u>482,588</u>
FUND BALANCES, END OF YEAR	<u>\$ 524,523</u>	<u>\$ 17,033</u>	<u>\$ 11,268</u>	<u>\$ 54,328</u>	<u>\$ 11,162</u>	<u>\$ 618,314</u>

**TOWN OF SMYRNA
COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2011**

	<u>Police Pension Trust Fund</u>	<u>Employee Pension Trust Fund</u>	<u>Totals</u>	
			<u>2011</u>	<u>2010</u>
ASSETS				
Cash and cash equivalents	\$ 172,210	\$ 187,486	\$ 359,696	\$ 235,279
Investments at fair value:				
Mutual funds	2,887,787	4,081,661	6,969,448	6,016,493
Fixed income	9,774	9,232	19,006	24,049
Insurance contracts	<u>1,939,884</u>	<u>1,476,446</u>	<u>3,416,330</u>	<u>3,321,024</u>
TOTAL ASSETS	<u><u>\$ 5,009,655</u></u>	<u><u>\$ 5,754,825</u></u>	<u><u>\$10,764,480</u></u>	<u><u>\$ 9,596,845</u></u>
 LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 13,207	\$ 5,574	\$ 18,781	\$ 15,050
 NET ASSETS				
Assets held in trust for employee pension benefits	<u>4,996,448</u>	<u>5,749,251</u>	<u>10,745,699</u>	<u>9,581,795</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,009,655</u></u>	<u><u>\$ 5,754,825</u></u>	<u><u>\$10,764,480</u></u>	<u><u>\$ 9,596,845</u></u>

TOWN OF SMYRNA
COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			2011	2010
ADDITIONS:				
Contributions:				
Employer contribution	\$ 618,080	\$ 768,252	\$ 1,386,332	\$ 1,141,062
Employee contributions	39,674	-	39,674	-
State aid - police	78,992	-	78,992	96,438
Total Contributions	<u>736,746</u>	<u>768,252</u>	<u>1,504,998</u>	<u>1,237,500</u>
Investment Income:				
Interest and dividends	170,694	176,487	347,181	307,938
Net appreciation (depreciation) in fair value of investments	(61,752)	(38,865)	(100,617)	412,649
Total Investment Income	<u>108,942</u>	<u>137,622</u>	<u>246,564</u>	<u>720,587</u>
Less investment expense	75,679	80,999	156,678	130,644
Net Investment Income	<u>33,263</u>	<u>56,623</u>	<u>89,886</u>	<u>589,943</u>
TOTAL ADDITIONS	<u>770,009</u>	<u>824,875</u>	<u>1,594,884</u>	<u>1,827,443</u>
DEDUCTIONS:				
Benefits paid	320,657	105,216	425,873	294,393
Administrative expenses	2,601	2,506	5,107	1,989
TOTAL DEDUCTIONS	<u>323,258</u>	<u>107,722</u>	<u>430,980</u>	<u>296,382</u>
CHANGE IN NET ASSETS	446,751	717,153	1,163,904	1,531,061
NET ASSETS, BEGINNING OF YEAR	<u>4,549,697</u>	<u>5,032,098</u>	<u>9,581,795</u>	<u>8,050,734</u>
NET ASSETS, END OF YEAR	<u>\$ 4,996,448</u>	<u>\$ 5,749,251</u>	<u>\$ 10,745,699</u>	<u>\$ 9,581,795</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 eight fiscal years ending December 31,

(Unaudited)

Accrual basis of accounting

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities								
Invested in capital assets, net of related debt	\$ 16,410,827	\$ 16,779,039	\$ 17,305,604	\$ 16,572,941	\$ 15,557,668	\$ 6,728,354	\$ 6,767,901	\$ 5,423,723
Restricted for police	93,791	66,301	59,755	59,436	53,776	47,285	58,873	48,312
Restricted for public works	524,523	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	903,702	(714,297)	(475,766)	1,126,660	268,091	432,887	443,283	2,615,541
Total governmental activities net assets	<u>\$ 17,932,843</u>	<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	\$ 23,200,177	\$ 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	1,036,547	162,953	848,290	-	-	-	-	-
Unrestricted	2,979,349	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>\$ 27,216,073</u>	<u>\$ 25,739,999</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	\$ 39,611,004	\$ 40,100,117	\$ 39,479,294	\$ 36,562,212	\$ 33,606,404	\$ 16,626,017	\$ 14,310,832	\$ 10,349,077
Restricted for police	93,791	66,301	59,755	59,436	53,776	47,285	58,873	48,312
Restricted for public works	524,523	416,287	262,774	148,140	210,250	171,833	242,887	554,879
Restricted for capital projects	1,036,547	162,953	4,739,357	3,987,233	4,105,139	3,169,902	2,906,174	3,694,707
Unrestricted	3,883,051	4,143,901	1,252,480	3,410,817	3,235,826	2,354,903	1,549,017	4,104,436
Total primary government	<u>\$ 45,148,916</u>	<u>\$ 44,889,559</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: 2002-2003 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 eight fiscal years ending December 31,
(Unaudited)
Accrual basis of accounting

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
Governmental activities								
General government	\$ 979,679	\$ 639,478	\$ 991,556	\$ 541,804	\$ 759,203	\$ 857,943	\$ 1,484,176	\$ 1,646,354
Public safety	4,126,417	4,173,614	3,900,646	3,347,620	3,038,754	3,163,053	3,044,863	2,659,479
Public works	2,824,054	2,529,000	2,396,831	2,686,125	2,463,952	1,723,522	1,294,100	1,233,417
Planning and inspection	766,442	702,608	674,914	797,144	836,185	753,951	563,118	652,145
Library	292,287	245,271	290,558	272,447	283,318	381,555	364,013	211,177
Culture and recreation	206,521	325,927	308,638	356,473	301,762	269,896	284,864	222,144
Business park	10,360	11,155	11,370	13,325	12,805	13,906	42,994	-
Neighborhood housing rehabilitation	-	-	1,592	-	6,895	50,106	-	-
Interest on long-term debt	124,917	143,016	147,638	96,271	-	-	-	-
Total governmental activities	<u>9,330,677</u>	<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	12,543,281	12,695,759	11,505,781	11,429,814	10,582,868	9,778,074	8,304,862	5,009,218
Water/Sewer	2,879,104	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>15,422,385</u>	<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>\$ 24,753,062</u>	<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								
General government	\$ 213,500	\$ 312,924	\$ 495,144	\$ 670,436	\$ 843,486	\$ 614,997	\$ 626,031	\$ 578,420
Public safety	118,042	95,411	98,743	140,480	104,268	129,169	140,784	96,920
Public works	1,138,606	1,065,489	943,340	890,563	981,985	751,504	573,968	590,672
Planning and inspection	323,075	389,704	507,841	564,419	657,992	531,552	446,085	523,549
Library	81,233	152,890	64,292	51,747	44,803	26,867	29,299	29,702
Operating grants and contributions	734,687	485,541	400,186	519,984	554,430	558,849	415,450	344,674
Capital grants and contributions	732,075	107,875	1,145,990	852,537	851,855	48,277	100,000	267,237
Total governmental activities	<u>3,341,218</u>	<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	14,047,848	13,832,744	13,213,378	13,125,246	12,392,787	12,584,841	9,693,440	7,853,637
Water/Sewer	3,297,172	3,452,336	3,056,770	3,126,298	2,867,186	2,754,992	2,592,480	2,542,453
Operating grants and contributions	21,365	-	-	-	-	-	-	-
Capital grants and contributions	1,618,655	600,108	1,657,139	1,404,042	2,267,173	1,245,688	230,715	-
Total business-type activities	<u>18,985,040</u>	<u>17,885,188</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>\$ 22,326,258</u>	<u>\$ 20,495,022</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	\$ (5,989,459)	\$ (6,160,235)	\$ (5,068,207)	\$ (4,421,043)	\$ (3,664,055)	\$ (4,552,717)	\$ (4,746,511)	\$ (4,193,542)
Business-type activities	3,562,655	2,271,415	3,733,596	3,482,714	4,444,331	4,671,757	2,126,652	3,770,142
Total primary government net expense	<u>\$ (2,426,804)</u>	<u>\$ (3,888,820)</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: 2002-2003 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 eight fiscal years ending December 31,
(Unaudited)
Accrual basis of accounting
Cont'd

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
General Revenues and Other Changes in Net Assets								
Governmental activities								
Real estate taxes	\$ 2,015,044	\$ 2,074,467	\$ 1,933,324	\$ 1,841,492	\$ 1,201,024	\$ 1,092,855	\$ 1,042,204	\$ 829,917
Real estate transfer taxes	361,336	561,542	669,914	1,051,590	962,133	1,534,963	1,564,109	1,492,214
Franchise fees	146,203	143,993	132,249	125,903	116,123	105,001	98,004	93,591
Investment earnings	5,827	11,037	56,471	196,127	303,640	222,231	83,072	48,845
Miscellaneous income	117,937	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	2,086,721	1,281,763	1,257,277	2,228,153	2,474,694	1,628,923	-	4,653,169
Total governmental activities	4,733,068	4,266,361	4,217,231	6,120,529	5,099,810	4,631,612	2,828,467	7,240,135
Business-type activities								
Investment earnings	140	121	479	2,396	1,805	2,949	104,944	47,515
Net gain on sale of capital assets	-	-	-	-	-	5,837	2,820	-
Transfers	(2,086,721)	(1,281,763)	(1,257,277)	(2,228,153)	(2,474,694)	(1,628,923)	-	(4,653,169)
Total business-type activities	(2,086,581)	(1,281,642)	(1,256,798)	(2,225,757)	(2,472,889)	(1,620,137)	107,764	(4,605,654)
Total primary government	\$ 2,646,487	\$ 2,984,719	\$ 2,960,433	\$ 3,894,772	\$ 2,626,921	\$ 3,011,475	\$ 2,936,231	\$ 2,634,481
Change in Net Assets								
Governmental activities	\$ (1,256,391)	\$ (1,893,874)	\$ (850,976)	\$ 1,699,486	\$ 1,435,755	\$ 78,895	\$ (1,918,044)	\$ 3,046,593
Business-type activities	1,476,074	989,773	2,476,798	1,256,957	1,971,442	3,051,620	2,234,416	(835,512)
Total primary government	\$ 219,683	\$ (904,101)	\$ 1,625,822	\$ 2,956,443	\$ 3,407,197	\$ 3,130,515	\$ 316,372	\$ 2,211,081

Note: 2002-2003 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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Nonspendable	\$ 82,451	\$ 25,781	\$ -	\$ -	\$ 45,080	\$ 45,080	\$ 45,080	\$ 45,080	\$ 45,080	\$ 5,200,000
Unassigned	727,425	641,742	444,959	322,647	518,895	842,635	727,909	2,982,631	753,438	2,642,981
Total general fund	<u>\$ 809,876</u>	<u>\$ 667,523</u>	<u>\$ 444,959</u>	<u>\$ 322,647</u>	<u>\$ 563,975</u>	<u>\$ 887,715</u>	<u>\$ 772,989</u>	<u>\$ 3,027,711</u>	<u>\$ 798,518</u>	<u>\$ 7,842,981</u>
All Other Governmental Funds										
Assigned	\$ 2,177,953	\$ 2,602,230	\$ 3,891,067	\$ 7,343,233	\$ 4,105,139	\$ 3,169,902	\$ 2,906,174	\$ 3,694,707	\$ 4,331,835	\$ 441,860
Restricted	618,314	482,588	322,529	207,576	264,026	219,118	301,760	603,191	-	-
Total all other governmental funds	<u>\$ 2,796,267</u>	<u>\$ 3,084,818</u>	<u>\$ 4,213,596</u>	<u>\$ 7,550,809</u>	<u>\$ 4,369,165</u>	<u>\$ 3,389,020</u>	<u>\$ 3,207,934</u>	<u>\$ 4,297,898</u>	<u>\$ 4,331,835</u>	<u>\$ 441,860</u>
Total governmental fund balances	<u>\$ 3,606,143</u>	<u>\$ 3,752,341</u>	<u>\$ 4,658,555</u>	<u>\$ 7,873,456</u>	<u>\$ 4,933,140</u>	<u>\$ 4,276,735</u>	<u>\$ 3,980,923</u>	<u>\$ 7,325,609</u>	<u>\$ 5,130,353</u>	<u>\$ 8,284,841</u>

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

	2011	2010	2009	2008	2007	Fiscal Year 2006	2005	2004	2003	2002
Revenues										
Property taxes	\$ 2,024,737	\$ 2,128,117	\$ 1,900,363	\$ 1,743,747	\$ 1,138,746	\$ 1,157,148	\$ 933,914	\$ 805,169	\$ 709,448	\$ 686,953
Transfer taxes	361,336	561,542	669,914	1,051,590	962,133	1,534,963	1,564,109	1,492,214	694,632	372,471
Special assessment/impact fees	182,977	286,527	470,676	624,061	843,486	614,997	573,968	590,672	881,914	363,157
Charges for services	1,183,416	1,091,512	1,070,184	945,717	929,401	774,234	678,678	566,667	586,421	507,591
Intergovernmental	819,827	716,691	1,547,005	840,427	621,854	648,458	503,830	470,028	223,926	531,014
Licenses, fees and permits	269,741	377,760	421,777	564,434	656,911	528,649	446,085	527,287	1,050,762	441,977
Fines and forfeits	130,298	87,287	62,553	85,312	76,161	86,770	86,096	82,435	95,886	100,442
Rentals	-	-	-	-	-	-	-	22,500	60,000	-
Franchise fees	146,203	143,993	132,249	125,903	116,124	105,001	98,004	93,590	98,579	83,757
Investment income	5,827	11,037	56,471	196,127	303,640	222,231	83,072	48,845	60,626	45,776
Miscellaneous	185,096	243,616	183,538	84,212	108,219	47,160	38,050	28,839	6,990	47,964
Total revenues	<u>5,309,458</u>	<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>
Expenditures										
General government	747,625	545,586	609,219	717,819	569,885	792,141	1,624,741	1,483,809	1,182,448	1,224,142
Public safety	3,495,209	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
Public works	2,030,731	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
Planning and inspection	730,730	695,978	631,693	790,029	838,069	743,044	559,968	500,380	368,277	-
Library	264,527	234,277	261,747	256,168	212,443	233,489	214,588	181,162	153,736	224,880
Culture and recreation	176,990	313,789	276,030	351,120	306,941	256,940	288,112	206,747	77,653	111,229
Business park	10,360	11,155	11,370	13,325	12,805	221,936	42,994	-	-	-
Neighborhood housing rehabilitation	-	-	1,592	-	6,895	50,106	-	-	-	-
Debt service:										
Principal	18,640	111,549	106,904	58,921	-	-	-	-	-	-
Interest	88,146	143,232	147,877	89,851	-	-	-	-	-	-
Bond issuance costs	66,515	-	-	-	-	-	-	-	-	-
Capital outlays	80,925	303,907	4,047,151	1,929,437	592,002	135,866	1,356,635	1,526,497	2,096,175	54,684
Total expenditures	<u>7,710,398</u>	<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>
Excess of revenues over (under) expenditures	<u>(2,400,940)</u>	<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>
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	-	-	-	-	-	-
Bond proceeds	3,275,000	-	-	-	-	-	-	-	-	-
Bond discount	(46,993)	-	-	-	-	-	-	-	-	-
Prepayment of note	(3,059,986)	-	-	-	-	-	-	-	-	-
Refund of prior year expenditures	-	-	22,399	46,375	-	-	-	-	-	-
Transfers in	2,498,977	2,414,739	2,378,177	3,575,558	2,812,575	1,684,600	506,885	5,754,847	-	1,768,812
Transfers out	(412,256)	(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>2,254,742</u>	<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>
Net change in fund balances	<u>\$ (146,198)</u>	<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>
Debt service as a percentage of noncapital expenditures	1%	3%	4%	2%	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>
2011	\$ 2,024,737	\$ 361,336	\$ 2,386,073
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

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
2011	\$ 974,275,012	\$ 121,878,419	\$ 852,396,593	\$ 0.25260	*
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	*

* = 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*

<u>Fiscal Year</u>	<u>Town of Smyrna</u>	<u>Overlapping Governments</u>			<u>Total Direct & Overlapping Rates</u>
		<u>Kent County</u>	<u>New Castle County</u>	<u>Smyrna School District</u>	
2011	0.25260	0.30000	0.70180	0.99700	2.25140
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

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	2011			2002		
	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%	*	*	*
Liborio III, LP	47,555,980	2	5.87%	*	*	*
Worthington Properties	23,832,500	3	2.94%	*	*	*
DLM, LLC	12,149,860	4	1.50%	*	*	*
Capson of Brandywine, LLC	7,477,100	5	0.92%	*	*	*
Target Investments	6,822,700	6	0.84%	*	*	*
Gencraft Homes	4,940,200	7	0.61%	*	*	*
Sylvan Valley Real Estate	5,403,180	8	0.67%	*	*	*
Lenape Development Inc.	3,599,200	9	0.44%	*	*	*
Stover Homes, LLC	3,012,900	10	0.37%	*	*	*
Total	\$ 164,476,720		20.31%			

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>Percentage of Levy</u>	<u>Collected in Subsequent Years</u>	<u>Total (1)</u>	<u>Percentage of Levy</u>
2011	\$ 2,281,117	\$ 2,052,853	89.99%	\$ 15,685	\$ 2,068,539	90.68%
2010	2,099,314	1,972,389	93.95%	74,557	2,046,947	97.51%
2009	2,045,244	1,900,363	92.92%	169,955	2,070,319	101.23%
2008	1,816,578	1,794,528	98.79%	76,435	1,870,964	102.99%
2007	1,141,662	1,134,189	99.35%	35,659	1,169,849	102.47%
2006	1,126,692	1,121,580	99.55%	15,238	1,136,819	100.90%
2005	1,022,168	933,914	91.37%	5,223	939,138	91.88%
2004	864,081	805,169	93.15%	3,258	808,428	93.56%
2003	863,394	709,448	82.17%	1,908	711,357	82.39%
2002	727,317	686,953	94.45%	2,779	689,733	94.83%

(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	Percentage of Personal Income	Per Capita (1)
	Loans	Bonds	Loans	Bonds	Note			
2011	\$ -	\$ 3,275,000	\$ 5,977,177	\$ 4,440,000	\$ -	\$ 13,692,177	0.28%	1,339
2010	3,078,626	-	8,179,630	-	-	11,258,256	0.23%	1,101
2009	3,190,175	-	7,188,123	-	-	10,378,298	0.21%	940
2008	3,297,079	-	7,494,976	-	-	10,792,055	0.22%	1,034
2007	-	-	7,790,770	-	-	7,790,770	0.17%	781
2006	-	-	2,539,381	-	4,644,000	7,183,381	0.16%	755
2005	-	-	1,655,139	-	2,000,000	3,655,139	0.09%	406
2004	-	-	1,728,212	-	-	1,728,212	0.04%	206
2003	-	-	75,000	-	-	75,000	0.00%	10
2002	-	-	-	-	-	-	-	-

(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>Bonds Payable</u>	<u>Loans Payable</u>	<u>Percentage of Loans Payable to Assessed Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2011	\$ 3,275,000	\$ -	0.38%	\$ 320
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%	-

(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, 2011
Unaudited

	General Obligation Debt Outstanding	Estimated Percentage Applicable to Town of Smyrna	Estimated Share of Overlapping Debt
Direct Debt			
Bonds Payable	\$ 3,275,000	100.00%	\$ 3,275,000
Total direct debt	<u>3,275,000</u>		<u>3,275,000</u>
Overlapping debt (1)			
Kent County (2)	5,517,860	0.62%	34,313
New Castle County	194,817,233	5.80%	11,299,400
Smyrna School District	<u>26,522,339</u>	88.19%	<u>23,390,812</u>
Total overlapping debt	<u>226,857,432</u>		<u>34,724,524</u>
Total direct and overlapping debt	<u>\$ 230,132,432</u>		<u>\$ 37,999,524</u>

Note:

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

(2) Total debt for Kent County above represents prior year information. Total debt for Kent County is not available for June 30, 2011 at the time this report was prepared.

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 nine fiscal years ending December 31,
Unaudited (amounts expressed in thousands)*

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	\$ 38,358	\$ 37,603	\$ 36,435	\$ 32,266	\$ 29,672	\$ 30,695	\$ 14,840	\$ 12,543	\$ 12,533
Total net debt applicable to limit	<u>13,692</u>	<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>\$ 24,666</u>	<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	35.70%	29.94%	28.48%	33.45%	26.26%	23.40%	24.63%	13.78%	0.60%
Total taxable assessment	\$ 852,397								
Debt limit percentage (1)	<u>4.50%</u>								
Debt limit	38,358								
Outstanding debt	<u>13,692</u>								
Legal debt margin	<u>\$ 24,666</u>								

Town only had applicable debt beginning in 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	2011			2002		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Bayhealth - Kent General & Milford - Dover, Milford	2860	1	33.42%	*	*	*
Dover Downs, Inc. - Dover	1457	2	17.02%			
Capital School District - Dover	1000	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 III - 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	8559		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>Personal Income - Kent County (2)</u>	<u>Per Capita Personal Income - Kent County (2)</u>	<u>Unemployment Rate - Kent County (3)</u>	<u>School Enrollment (4)</u>
2011	10,228	\$ 4,910,076,000	\$ 31,127	7.20%	4981
2010	11,463	4,910,076,000	30,749	8.20%	4853
2009	11,040	4,910,076,000	30,749	8.20%	4657
2008	10,435	4,863,596,000	30,749	4.70%	4853
2007	9,975	4,675,675,000	29,578	3.40%	4460
2006	9,513	4,370,350,000	28,854	3.20%	4230
2005	9,007	4,118,365,000	28,014	3.50%	3930
2004	8,402	3,860,533,000	27,254	3.40%	3645
2003	7,666	3,579,034,000	26,246	4.20%	3311
2002	6,809	3,434,147,000	25,702	3.90%	3247

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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government - Administration	14.00	14.00	14.00	15.00	14.00	13.00	16.00	14.00	11.00	8.00
Public Safety - Police	29.00	29.00	29.00	29.00	29.00	27.00	27.00	28.00	24.00	23.00
Public Works	12.00	11.00	11.00	14.00	12.00	11.00	10.00	9.00	7.00	8.00
Planning and Inspection	7.00	7.00	7.00	7.00	6.00	6.00	5.00	6.00	6.00	4.00
Library	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Culture and Recreation - Parks	1.00	1.00	3.00	3.00	2.00	2.00	2.00	1.00	1.00	-
General Fund Total	<u>65.00</u>	<u>64.00</u>	<u>66.00</u>	<u>70.00</u>	<u>65.00</u>	<u>61.00</u>	<u>62.00</u>	<u>60.00</u>	<u>51.00</u>	<u>45.00</u>
Public Utilities	8.00	9.00	9.00	9.00	9.00	8.00	9.00	7.00	7.00	7.00
Electric Fund Total	<u>8.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>8.00</u>	<u>9.00</u>	<u>7.00</u>	<u>7.00</u>	<u>7.00</u>
Public Utilities	4.00	4.00	4.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00
Water and Sewer Fund Total	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>
Total Staff	<u>77.00</u>	<u>77.00</u>	<u>79.00</u>	<u>82.00</u>	<u>77.00</u>	<u>72.00</u>	<u>74.00</u>	<u>71.00</u>	<u>62.00</u>	<u>56.00</u>

Source: Town Financial Records

TOWN OF SMYRNA

OPERATING INDICATORS BY FUNCTION

*Last ten fiscal years ending December 31,
Unaudited (Expressed in thousands)*

Function	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety										
Calls for service	21,383	16,952	20,087	22,099	22,755	20,270	19,405	16,025	16,509	18,076
Criminal reports written	1,659	2,318	1,700	1,788	1,545	1,449	1,543	1,305	1,200	1,517
Traffic arrests	3,084	3,084	3,286	4,955	3,237	2,751	2,130	2,555	2,762	3,630
Planning and Inspection										
Total fees collected for construction (1)	490,514	1,018,701	1,377,629	1,766,180	2,402,583	1,439,840	1,462,018	*	*	*
Construction inspections (2)	703	1,156	1,469	1,751	1,861	1,741	2,293	*	*	*
Building permits issued	341	497	582	610	581	589	687	*	*	*
Smyrna Public Library										
Number of registered borrowers	7,617	17,832	9,376	9,376	7,335	14,525	11,231	7,878	7,072	5,704
Attendance per year	82,987	81,722	82,127	78,895	69,731	61,071	53,187	50,996	33,018	18,734
Actual circulation	73,823	66,111	58,934	38,415	38,468	47,474	32,165	30,299	24,539	24,108
Number of books	21,566	26,254	22,149	20,246	22,132	22,838	21,486	17,000	16,000	15,467
Water										
Gallons billed	288,823,000	321,210,219	283,572,474	273,431,231	256,052,000	264,147,000	229,941,000	*	234,571,000	225,910,000
Connections	3,789	3,789	3,789	3,789	3,789	3,789	3,500	*	3,731	3,416
Electric										
Usage (kwh)	98,051,000	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

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 SECTION



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 23, 2012

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, 2011, which collectively comprise the basic financial statements of the Town of Smyrna, Delaware (the "Town") and have issued our report thereon dated May 23, 2012. 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 23, 2012.

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

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

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May 23, 2012

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 its major federal programs for the year ended December 31, 2011. The Town of Smyrna's major federal program is 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 its major federal program 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 its major federal program for the year ended December 31, 2011.

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

**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)

66.468

Name of Federal Program or Cluster

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, 2011**

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 01/01/2011	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 12/31/2011
<u>U.S Department of Justice</u>										
<u>Bureau of Justice Assistance</u>										
Bulletproof Vest Partnership Program	D	16.607	NA	01/01/11-12/31/11	\$ 1,710	\$ 1,710	\$ -	\$ 1,710	\$ 1,710	\$ -
<u>Office of Community Oriented Policing Services</u>										
Public Safety Partnership and Community Policing Grants	D	16.710	2009RKWX0196	07/01/09-06/30/12	238,772	63,854	15,724	64,295	64,295	16,165
TOTAL U.S DEPARTMENT OF JUSTICE					<u>240,482</u>	<u>65,564</u>	<u>15,724</u>	<u>66,005</u>	<u>66,005</u>	<u>16,165</u>
<u>U.S. Environmental Protection Agency</u>										
<u>Passed through Delaware Dept of Natural Resources and Environmental Control</u>										
Capitalization Grants for Clean Water State Revolving Funds*	I	66.458	DNREC	01/01/10-12/31/10	5,975,000	1,016,824	1,016,824	-	-	-
<u>Passed through Delaware Dept of Health and Social Services</u>										
Capitalization Grants for Drinking Water State Revolving Funds*	I	66.468	DHSS	01/01/10-12/31/10	3,768,000	1,956,842	1,084,593	1,041,491	1,041,491	169,242
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY					<u>9,743,000</u>	<u>2,973,666</u>	<u>2,101,417</u>	<u>1,041,491</u>	<u>1,041,491</u>	<u>169,242</u>
<u>U.S. Department of Homeland Security</u>										
<u>Passed through Delaware Emergency Management Agency</u>										
Homeland Security Grant Program	I	97.067	2006-GE-T6-0060	01/01/10-12/31/10	72,600	72,600	72,600	-	-	-
Homeland Security Grant Program	I	97.067	2007-GE-T7-0020	01/01/11-12/31/11	14,254	14,254	-	14,254	14,254	-
Total CFDA # 97.067					<u>86,854</u>	<u>86,854</u>	<u>72,600</u>	<u>14,254</u>	<u>14,254</u>	<u>-</u>
Disaster Grants - Public Assistance	I	97.036	FEMA-3336-EM-DE	08/28/11-2/28/12	3,618	-	-	3,618	3,618	3,618
Disaster Grants - Public Assistance	I	97.036	FEMA-4037-DR-DE	09/30/11-3/31/12	19,299	-	-	19,299	19,299	19,299
Total CFDA # 97.036					<u>22,917</u>	<u>-</u>	<u>-</u>	<u>22,917</u>	<u>22,917</u>	<u>22,917</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY					<u>109,771</u>	<u>86,854</u>	<u>72,600</u>	<u>37,171</u>	<u>37,171</u>	<u>22,917</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 10,093,253</u>	<u>\$3,126,084</u>	<u>\$2,189,741</u>	<u>\$ 1,144,667</u>	<u>\$ 1,144,667</u>	<u>\$ 208,324</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.

