

# TOWN OF SMYRNA

Smyrna, Delaware  
Kent County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2012



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2012**

**Prepared by:**

**Gary F. Stulir, Manager of Accounting & Business Services**

**Business Office Staff**

**INTRODUCTORY SECTION**



TOWN OF SMYRNA

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May 15, 2013

# Town of Smyrna

DAVID S. HUGG III, TOWN MANAGER

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, 2012. 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 unmodified opinion on the Town's financial statements for the year ended December 31, 2012. The Independent Auditor's 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 auditor.

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").

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

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

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## **Profile of the Town**

This CAFR includes all funds of the Town, consistent with the guidance contained in GASB 14, *The Financial Reporting Entity*; GASB 39, *Determining Whether Certain Organizations Are Component Units*; and GASB 61, *The Financial Reporting Entity: Omnibus*. 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 to 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. 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 five square miles and serves a population of approximately 10,774 as of December 31, 2012. The official census count as of April 2010 places the Town's population at 10,023. This is an 89 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

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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, the oldest library in Kent County, first established in 1858 and recently celebrating its 155<sup>th</sup> anniversary, is located in the historic Smyrna Opera House and is located at 107 South Main Street. It is open to the public six days a week.

### **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. The Vaughn Correctional Center is a large (state government) employer just outside town limits. Additionally the Town has a robust and diverse local business community providing service to many of the shopping, service, recreational, medical and other needs of the growing community.

During fiscal year 2012, a total of 28 new businesses were approved and were pending opening or had opened. Three existing businesses also relocated within the Town. While not as robust as the activity in 2011, included in the new businesses are a wide variety of professional and general offices and retail stores offering personal services, food and entertainment, health care and beauty supplies, clothing and auto services.

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

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The current unemployment rate within Kent County stayed about the same at 7.3 percent from 7.2 percent in the prior year and is slightly higher than the State's unemployment rate of 6.9 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 10,774, an increase from the April 2010 census, which placed the Town's population at 10,023. A significant portion of this growth is attributed to workers and retirees relocating to Smyrna from other states seeking lower taxes and housing costs, as well as an attractive quality of life.

While new construction continued during the fiscal year, construction fees received increased by approximately 42 percent from the prior year. This increase is a reflection that the economic conditions are slowly beginning to get better. The Town issued approximately 324 building permits with a construction value of \$18.2 million. Seventy-nine new residences were approved, a mix of single family, apartments and townhouses potentially adding another 250-300 new residents to the Town as these units become occupied.

Several new residential subdivisions continue to build or are yet to be built. The subdivisions that continue to be built include Bon Ayre, Cambria Village, Hickory Hollow, Huntfield, Lake Como Woods, Sunnyside Village and Sunnyside Village Apartments and Worthington.

The subdivisions that are approved and expected to start as the economy improves include Ashland, Bergmont Woods, Brenford Station - Section 2, Christina Apartments, Graceville/Centerville, Greenbrier Estates, North Park, SBCL Smyrna Properties, and Watson Farm.

### 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. 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 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.

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

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### ***Major Initiatives***

Phase I of the downtown “four corners” project was completed in 2009, which involved significant upgrades to the electric, street, water and sewer infrastructure; also, the Town completed a downtown streetscape project which involved installing new brick sidewalks and new lamp posts and the placement of utilities underground. This initiative fostered additional private development and renovation in the historic core of our central business district. The Town is in the process of planning for the Phase II of the 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 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, in 2009, 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. These projects were completed in 2011 and 2012.

The Town was a recipient of a state 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. To date, about 20 percent of the total volume of trash is recycled, saving the Town and its residents on disposal costs and helping to improve the environment.

The Town initiated planning, completed a needs assessment and fostered the organization of a citizens-based Library Guild to begin the process of obtaining a new, regional library. Significant design and site analyses have been completed with ongoing discussion about how to best address long-term operating and maintenance requirements. A governance study is currently underway through the University of Delaware's Institute for Public Policy to address long-term operation, maintenance and management. 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. This underutilized asset is now open to the public for use and hosts numerous educational, cultural and other events.

During 2012, a needs assessment and preliminary design and engineering were undertaken for construction of a major renovation and expansion of the Smyrna Police Department. The Town has applied to the USDA for funding to construct this critically needed public safety improvement starting in 2013.

The Town is an active member of the Greater Kent Committee, the Kent County Economic Development Roundtable and the Central Delaware Chamber of Commerce; and through its Business Development Committee and with professional economic development consulting services, the Town is actively implementing business retention and recruitment plans to enhance Smyrna's economy and viability.

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

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## **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.

## **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, 2011. 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 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, 2011

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.



*Christopher P. Moynell*

President

*Jeffrey R. Emer*

Executive Director

**TOWN OF SMYRNA**

List of Elected and Appointed Officials

December 31, 2012

**Elected Officials**

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

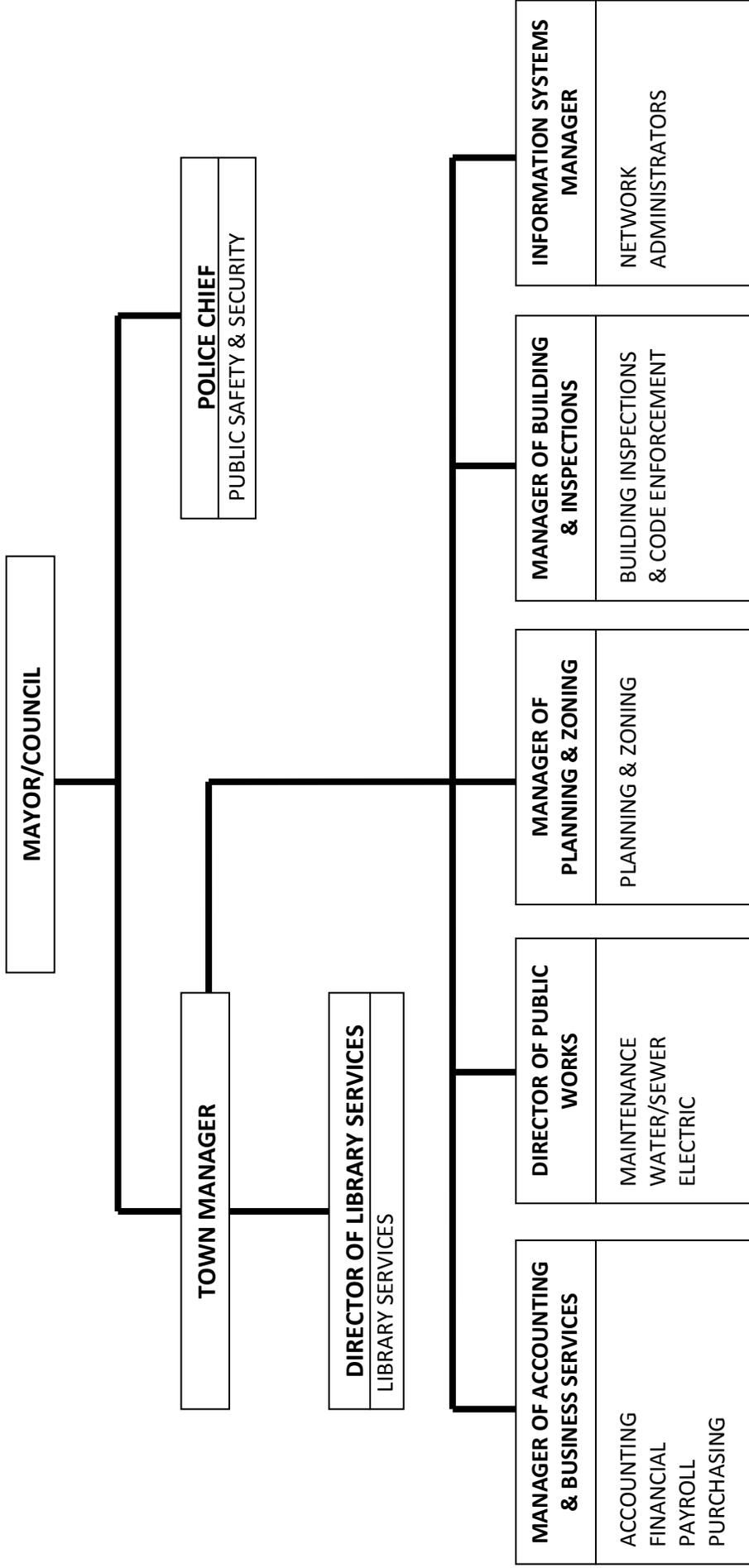
Mayor  
Council Member – District 1  
Council Member – District 2  
Council Member – District 3  
Council Member – District At Large  
Council Member – District At Large  
Council Member – District At Large

**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 AUDITOR'S REPORT

T 302.478.8940

F 302.468.4001

www.btcpa.com

May 15, 2013

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

Report on Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and Town Council  
Town of Smyrna

### 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, 2012, and the respective changes in its financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Town of Smyrna's 2011 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated May 23, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 to 25 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 72 to 73 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, which 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smyrna, Smyrna, Delaware's basic financial statements. The introductory section, combining nonmajor governmental fund financial statements, combining fiduciary fund financial statements, statistical section and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Town Council  
Town of Smyrna

The combining nonmajor governmental fund financial statements, combining fiduciary fund financial statements and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements, combining fiduciary fund financial statements and schedule of expenditures of federal awards are 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2013 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* in considering the Town of Smyrna's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

**Town of Smyrna  
Management's Discussion and Analysis - Unaudited  
December 31, 2012**

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, 2012. 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 55 percent of total revenues and program revenues 45 percent of total revenues (prior year, 59 percent and 41 percent, respectively). Total revenues increased due to an increase in the property tax rates which generated more revenues, and an increase in transfer taxes received in 2012 due to a slight increase in real estate sales. The percentage decrease in general revenues and transfers is due to an increase in program revenues attributed to the developer dedications for infrastructure in 2012.
- In the governmental activities, total expenses increased from \$9,421,626 in 2011 to \$10,011,209 in 2012. This represents a six percent increase. The increase was due primarily to estimated increases in the future cost of providing other post-employment benefits.
- Total revenues in the Town's General Fund increased from \$5,030,989 in 2011 to \$5,684,176 in 2012. This represents approximately a 13 percent increase. The increase is attributed primarily to an increase in the property tax rates, which generated more revenues, and an increase in transfer taxes received in 2012 due to a slight increase in real estate sales.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,898,467, which is an increase from the prior year balance of \$3,606,143. This increase is due primarily to an increase related to intergovernmental revenues to fund capital improvements in the capital reserve fund and transfers in from the proprietary funds to fund capital improvements.
- As of the end of the current fiscal year, the Town's business-type activities reported a net position of \$28,947,732, an increase of \$2,194,441 as compared to the prior year. The current year increase in net position 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, 2012**

**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 Position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 Town'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 26 and 27 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, 2012**

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 28 to 32 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 33 to 35 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 36 and 37 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 38 to 71 of this report.

**Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2012**

**Other Information.** The combining statements referred to earlier in connection with the Nonmajor Governmental Funds are presented immediately following the footnotes. Combining fund statements and schedules can be found on pages 74 to 77 of this report.

**ENTITY-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position 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 \$47,481,745 at the close of the most recent calendar year. The table below summarizes the net position of the Town at December 31, 2012 and 2011.

**STATEMENTS OF NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>						
Current and other assets	\$ 5,718,805	\$ 5,323,769	\$ 7,076,658	\$ 7,301,224	\$12,795,463	\$12,624,993
Capital and related assets	<u>20,970,411</u>	<u>19,658,899</u>	<u>36,796,265</u>	<u>33,581,002</u>	<u>57,766,676</u>	<u>53,239,901</u>
<b>Total Assets</b>	<u>26,689,216</u>	<u>24,982,668</u>	<u>43,872,923</u>	<u>40,882,226</u>	<u>70,562,139</u>	<u>65,864,894</u>
<b>Liabilities:</b>						
Long-term liabilities	6,819,255	5,835,436	11,155,434	10,454,549	17,974,689	16,289,985
Other liabilities	<u>1,335,948</u>	<u>1,345,012</u>	<u>3,769,757</u>	<u>3,674,386</u>	<u>5,105,705</u>	<u>5,019,398</u>
<b>Total Liabilities</b>	<u>8,155,203</u>	<u>7,180,448</u>	<u>14,925,191</u>	<u>14,128,935</u>	<u>23,080,394</u>	<u>21,309,383</u>
<b>Net Position:</b>						
Net investment in capital assets	17,800,609	16,410,827	25,581,921	23,200,177	43,382,530	39,611,004
Unrestricted	352,459	773,079	3,129,476	2,516,567	3,481,935	3,289,646
Restricted	<u>380,945</u>	<u>618,314</u>	<u>236,335</u>	<u>1,036,547</u>	<u>617,280</u>	<u>1,654,861</u>
<b>TOTAL NET POSITION</b>	<u>\$18,534,013</u>	<u>\$17,802,220</u>	<u>\$28,947,732</u>	<u>\$26,753,291</u>	<u>\$47,481,745</u>	<u>\$44,555,511</u>

By far, the largest portion of the Town's net position (91 percent) reflects its net investment 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 position (one percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,481,935, 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, 2012**

The Town's net position increased by \$2,926,234 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.

**Governmental Activities.** Governmental activities increased the Town's net position by \$731,793. This increase is due mostly to developer infrastructure dedications.

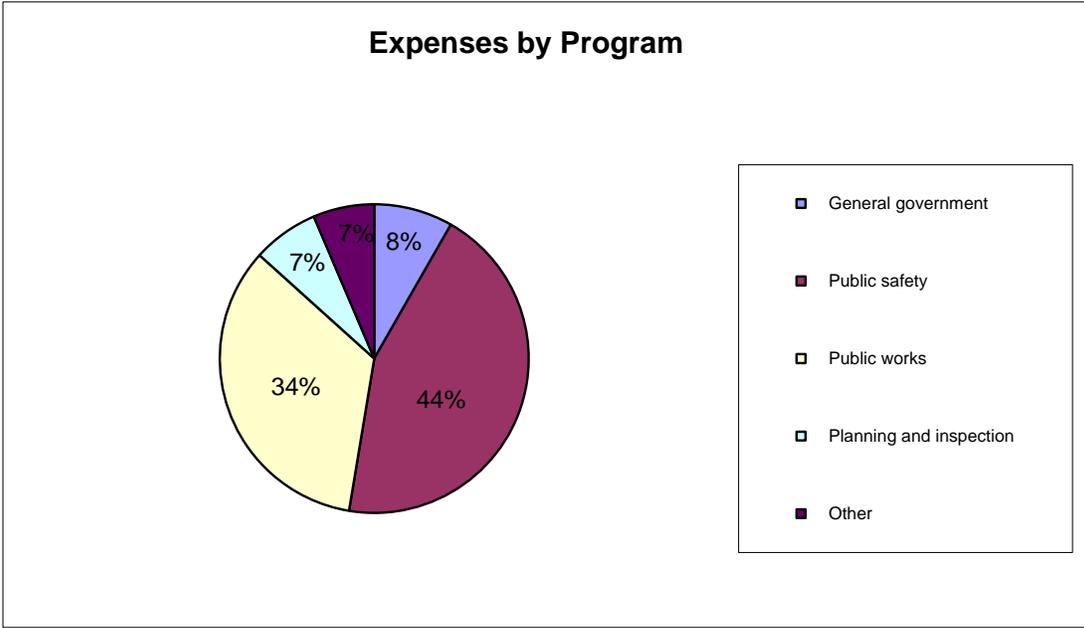
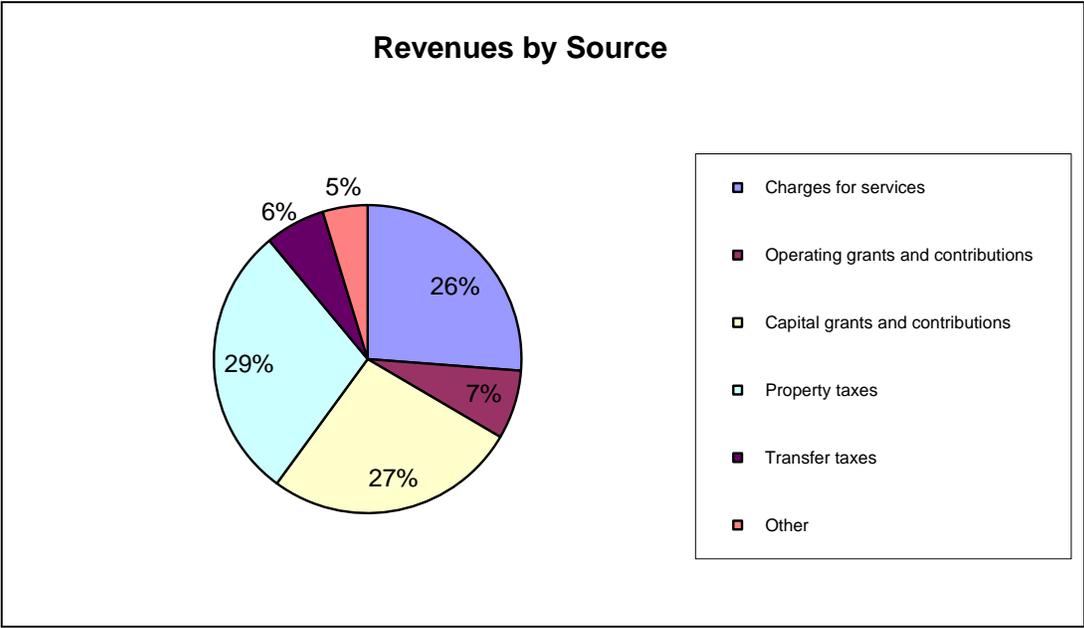
**Business-type Activities.** Business-type activities increased the Town's net position by \$2,194,441. This was due mostly to developer infrastructure dedications.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 2,127,056	\$ 1,874,456	\$16,771,501	\$17,345,020	\$18,898,557	\$19,219,476
Operating grants and contributions	587,195	734,687	11,932	21,365	599,127	756,052
Capital grants and contributions	2,159,991	732,075	2,784,485	1,618,655	4,944,476	2,350,730
General revenues:						
Property taxes	2,347,762	2,015,044	-	-	2,347,762	2,015,044
Transfer taxes	512,265	361,336	-	-	512,265	361,336
Franchise fees	193,997	146,203	-	-	193,997	146,203
Investment earnings	14,490	5,827	148	140	14,638	5,967
Other	174,438	117,937	-	-	174,438	117,937
<b>TOTAL REVENUES</b>	<u>8,117,194</u>	<u>5,987,565</u>	<u>19,568,066</u>	<u>18,985,180</u>	<u>27,685,260</u>	<u>24,972,745</u>
<b>EXPENSES</b>						
General government	819,583	979,679	-	-	819,583	979,679
Public safety	4,397,133	4,126,417	-	-	4,397,133	4,126,417
Public works	3,377,238	2,824,054	-	-	3,377,238	2,824,054
Planning and inspection	686,349	766,442	-	-	686,349	766,442
Library	339,695	292,287	-	-	339,695	292,287
Culture and recreation	276,295	206,521	-	-	276,295	206,521
Business park	-	10,360	-	-	-	10,360
Neighborhood housing rehabilitation	568	-	-	-	568	-
Interest on long-term debt	114,348	124,917	-	-	114,348	215,866
Electric	-	-	11,797,301	12,668,683	11,797,301	12,668,683
Water/sewer	-	-	2,950,516	2,879,104	2,950,516	2,879,104
<b>TOTAL EXPENSES</b>	<u>10,011,209</u>	<u>9,421,626</u>	<u>14,747,817</u>	<u>15,547,787</u>	<u>24,759,026</u>	<u>24,969,413</u>
Change in net position before transfers	(1,894,015)	(3,343,061)	4,820,249	3,437,393	2,926,234	3,332
Transfers	2,625,808	2,086,721	(2,625,808)	(2,086,721)	-	-
<b>CHANGE IN NET POSITION</b>	731,793	(1,347,340)	2,194,441	1,350,672	2,926,234	3,332
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>	<u>17,802,220</u>	<u>19,149,560</u>	<u>26,753,291</u>	<u>25,402,619</u>	<u>44,555,511</u>	<u>44,552,179</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$18,534,013</u>	<u>\$17,802,220</u>	<u>\$28,947,732</u>	<u>\$26,753,291</u>	<u>\$47,481,745</u>	<u>\$44,555,511</u>

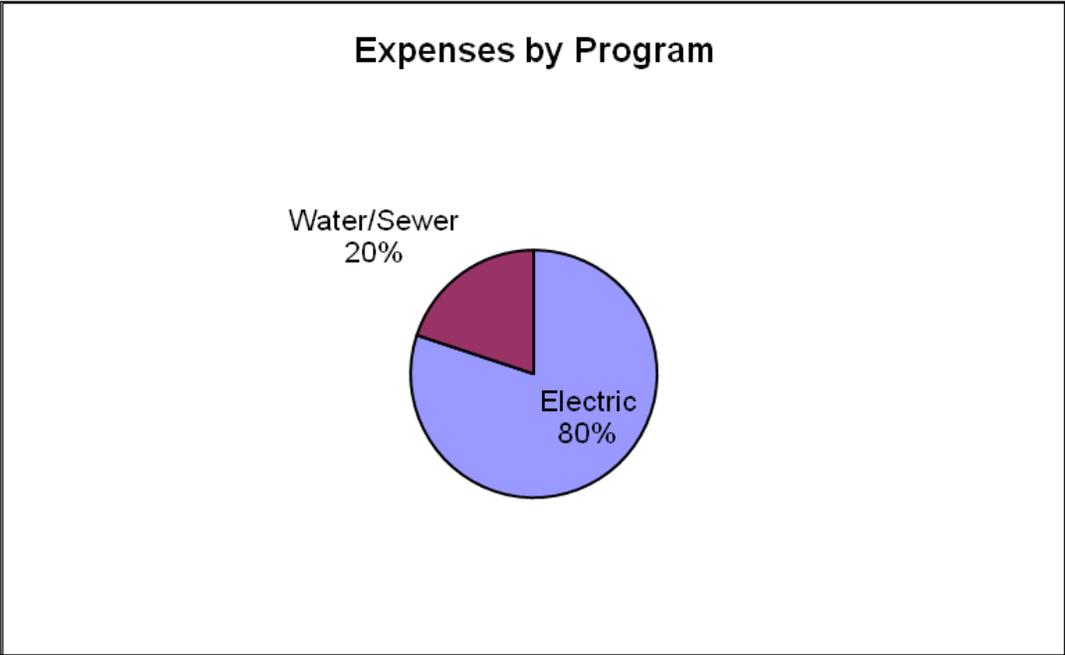
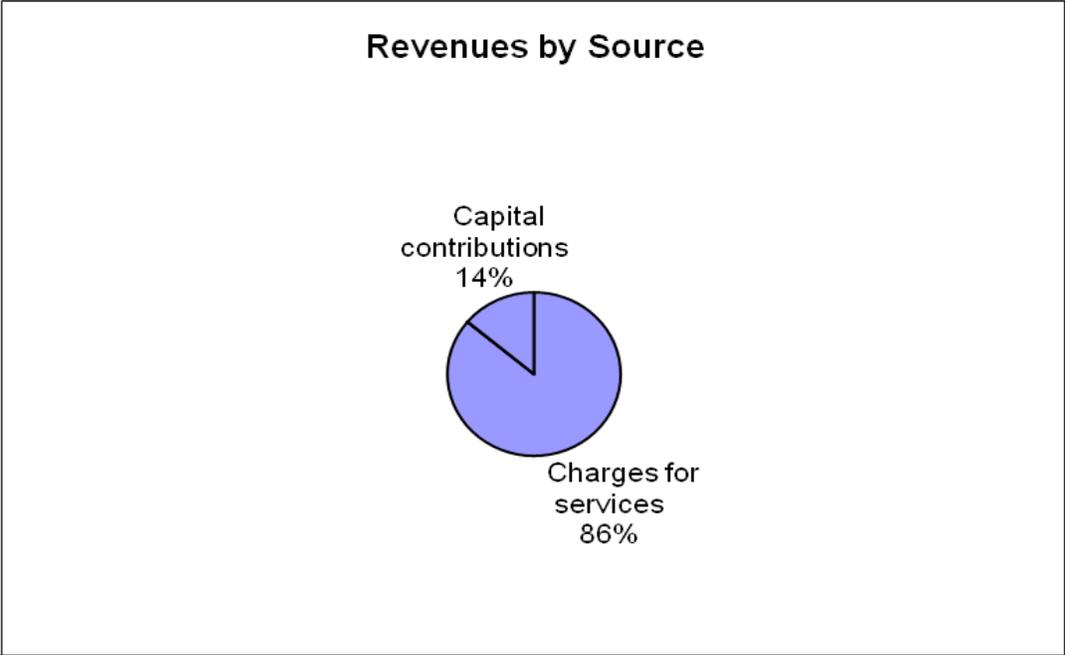
**Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2012**

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, 2012**

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, 2012**

**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 \$3,898,467. The primary component of this figure is the fund balance of the Capital Reserve Fund at \$2,927,248, which is committed 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 \$590,274, of which \$506,330 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, 2012, unassigned fund balance represented approximately seven percent of total general fund expenditures.

The fund balance of the Town's General Fund decreased by \$219,602 during the current calendar year. This is due mostly to a reduction in the subsidized amount received from the proprietary funds to support general fund operations.

The fund balance of the Town's Capital Reserve Fund increased by \$749,295 during the current calendar year. This increase is due primarily to an increase in intergovernmental revenues to fund capital improvements and transfers in from the proprietary funds to fund capital improvements.

***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 position of the Water and Sewer Fund and the Electric Fund at the end of the year amounted to \$3,129,476. The total growth in net position for both funds was \$1,595,313 and \$599,128, 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 32. A summary of variations between budget amounts and actual results is as follows:

- There were no amendments to the Town's original 2012 budget.
- Actual revenues exceeded budgeted revenue by \$279,543, or five percent of the total revenue budget. This is due primarily to miscellaneous revenues exceeding budgeted amounts due to an insurance claim received totaling \$211,334 for a breach of contract related to construction services. The Town used the insurance funds to complete the project.
- Actual expenditures were \$28,371 over budgeted amounts, less than one percent of the total expenditure budget.

**Town of Smyrna  
Management's Discussion and Analysis - Unaudited (cont'd)  
December 31, 2012**

**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, 2012 amounts to \$57,725,806 (net of accumulated depreciation). The following table shows the breakdown of this figure.

	<b>CAPITAL ASSETS (net of depreciation)</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land	\$ 1,083,101	\$ 1,110,795	\$ 177,616	\$ 85,171	\$ 1,260,717	\$ 1,195,966
Construction-in-progress	64,280	34,280	1,135,002	787,713	1,199,282	821,993
Land improvements	306,000	329,891	-	-	306,000	329,891
Buildings and improvements	5,511,897	5,541,467	2,393,153	2,454,585	7,905,050	7,996,052
Infrastructure	13,070,942	11,564,611	32,760,923	30,012,290	45,831,865	41,576,901
Machinery and equipment	916,839	1,059,552	306,053	216,436	1,222,892	1,275,988
	<u>\$ 20,953,059</u>	<u>\$ 19,640,596</u>	<u>\$ 36,772,747</u>	<u>\$ 33,556,195</u>	<u>\$ 57,725,806</u>	<u>\$ 53,196,791</u>

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

- Infrastructure capital contributions totaling \$1,931,254

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

- Town's waste water system project totaling \$902,226
- General electrical installation costs due to continued growth in Smyrna totaling \$569,324
- Water and sewer infrastructure contributions totaling \$2,301,596

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

	<b>Outstanding Debt Bonds and Loans Payable</b>	
	<b>2012</b>	<b>2011</b>
Governmental activities	\$ 3,152,450	\$ 3,275,000
Business-type activities	11,190,826	10,417,177
<b>TOTAL</b>	<u>\$ 14,343,276</u>	<u>\$ 13,692,177</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, 2012**

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 \$38,376,000 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 2013 budget in December 2012. This budget totaled \$6,176,546 in revenues and \$8,520,858 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 14 percent and an increase in budgeted expenditures of 12 percent. Property tax rates remained the same from the prior year at 31 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 7.3 percent in December 2012. The state's unemployment rate was reported at 6.9 percent.
- The Town's total population at December 2012 is currently estimated at 10,774, an increase from the 2010 census, which placed the Town's total population at 10,023.
- The Town's occupancy rate for its central business district is currently 93 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 POSITION**  
**DECEMBER 31, 2012**  
(With Summarized Comparative Data for December 31, 2011)

	Governmental Activities	Business-type Activities	Totals
	2012	2011 *	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 197,288	\$ 763,411	\$ 960,699
Investments	4,077,933	107,466	4,185,399
Taxes receivable	234,601	-	234,601
Accounts receivable	488,832	4,169,330	4,658,162
Grants receivable	173,673	-	173,673
Inventory	27,566	845,840	873,406
Due from other governments	-	515,426	515,426
Prepaid expenses	518,912	94,490	613,402
<b>Restricted Assets:</b>			
Meter deposits	-	580,695	580,695
Total Current Assets	5,718,805	7,076,658	12,795,463
<b>Noncurrent Assets:</b>			
Prepaid insurance costs	17,352	23,518	40,870
Capital assets, net:			
Land	1,083,101	177,616	1,260,717
Construction-in-progress	64,280	1,135,002	1,199,282
Land improvements	306,000	-	306,000
Buildings and improvements	5,511,897	2,393,153	7,905,050
Infrastructure	13,070,942	32,760,923	45,831,865
Machinery and equipment	916,839	306,053	1,222,892
Total Noncurrent Assets	20,970,411	36,796,265	57,766,676
<b>TOTAL ASSETS</b>	\$ 26,689,216	\$ 43,872,923	\$ 70,562,139
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 196,943	\$ 1,026,724	\$ 1,223,667
Accrued salaries and benefits	112,985	20,597	133,582
Accrued interest	37,663	69,944	107,607
Developer deposits	191,401	1,162,575	1,353,976
Other liability	-	423,432	423,432
Advanced payments from developers	628,536	-	628,536
Bonds payable	126,850	168,150	295,000
Loans payable	-	306,629	306,629
Accrued compensated absences	41,570	11,011	52,581
Total Current Liabilities	1,335,948	3,769,757	5,105,705
<b>Noncurrent Liabilities:</b>			
Portions due or payable after one year:			
Accrued compensated absences	374,125	99,097	473,222
Post-employment benefits	3,419,530	340,290	3,759,820
Bonds payable	3,025,600	4,109,400	7,135,000
Loans payable	-	6,606,647	6,606,647
Total Noncurrent Liabilities	6,819,255	11,155,434	17,974,689
<b>TOTAL LIABILITIES</b>	8,155,203	14,925,191	23,080,394
<b>NET POSITION</b>			
Net investment in capital assets	17,800,609	25,581,921	43,382,530
Restricted for police	83,336	-	83,336
Restricted for public works	297,609	-	297,609
Restricted for capital projects	-	236,335	236,335
Unrestricted	352,459	3,129,476	3,481,935
Total Net Position	18,534,013	28,947,732	47,481,745
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 26,689,216	\$ 43,872,923	\$ 70,562,139

\* Restated for comparative purposes.

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

**TOWN OF SMYRNA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(With Summarized Comparative Data for the Year Ended December 31, 2011)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 819,583	\$ 242,335	\$ -	\$ -	\$ (577,248)	\$ (766,179)	\$ (766,179)
Public safety	4,397,133	151,054	311,879	-	(3,934,200)	(3,729,964)	(3,729,964)
Public works	3,377,238	1,163,188	206,293	2,159,991	152,234	(594,086)	(594,086)
Planning and inspection	686,349	474,028	-	-	(212,321)	(443,367)	(443,367)
Library	339,695	96,451	68,723	-	(174,521)	(114,065)	(114,065)
Culture and recreation	276,295	-	300	-	(275,995)	(206,521)	(206,521)
Business park	-	-	-	-	-	(10,360)	(10,360)
Neighborhood housing rehabilitation	568	-	-	-	(568)	-	-
Interest on long-term debt	114,348	-	-	-	(114,348)	(215,866)	(215,866)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>10,011,209</b>	<b>2,127,056</b>	<b>587,195</b>	<b>2,159,991</b>	<b>(5,136,967)</b>	<b>(6,080,408)</b>	<b>(6,080,408)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Electric	11,797,301	13,518,689	-	424,133	-	2,145,521	1,528,659
Water/Sewer	2,950,516	3,252,812	11,932	2,360,352	-	2,674,580	1,908,594
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>14,747,817</b>	<b>16,771,501</b>	<b>11,932</b>	<b>2,784,485</b>	<b>-</b>	<b>4,820,101</b>	<b>3,437,253</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 24,759,026</b>	<b>\$ 18,898,557</b>	<b>\$ 599,127</b>	<b>\$ 4,944,476</b>	<b>(5,136,967)</b>	<b>(316,866)</b>	<b>(2,643,155)</b>
<b>GENERAL REVENUES</b>							
Real estate taxes					2,347,762	2,015,044	2,015,044
Real estate transfer taxes					512,265	361,336	361,336
Franchise fees					193,997	146,203	146,203
Investment earnings					14,490	5,967	5,967
Miscellaneous					174,438	117,937	117,937
Transfers					2,625,808	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>5,868,760</b>	<b>2,646,487</b>	<b>2,646,487</b>
<b>CHANGE IN NET POSITION</b>					731,793	2,926,234	3,332
<b>NET POSITION, BEGINNING OF YEAR - RESTATED</b>					17,802,220	44,555,511	44,552,179
<b>NET POSITION, END OF YEAR</b>					<b>\$ 18,534,013</b>	<b>\$ 47,481,745</b>	<b>\$ 44,555,511</b>

\* Restated for comparative purposes.

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

**TOWN OF SMYRNA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

(With Summarized Comparative Data for December 31, 2011)

	<b>General</b>	<b>Capital Reserve Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Totals</b>	
				<b>2012</b>	<b>2011*</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 62,484	\$ 39,210	\$ 95,594	\$ 197,288	\$ 474,154
Investments	1,067,141	2,803,062	207,730	4,077,933	3,547,736
Taxes receivable	234,601	-	-	234,601	192,583
Accounts receivable	394,127	94,705	-	488,832	469,222
Grants receivable	96,052	-	77,621	173,673	208,111
Prepaid items	56,378	-	-	56,378	54,141
Inventory	27,566	-	-	27,566	28,310
<b>TOTAL ASSETS</b>	<b>\$ 1,938,349</b>	<b>\$ 2,936,977</b>	<b>\$ 380,945</b>	<b>\$ 5,256,271</b>	<b>\$ 4,974,257</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 187,214	\$ 9,729	\$ -	\$ 196,943	\$ 165,002
Accrued salaries and benefits	112,985	-	-	112,985	100,220
Advance payments from developers	628,536	-	-	628,536	693,047
Developer deposits	191,401	-	-	191,401	170,458
<b>TOTAL LIABILITIES</b>	<b>1,120,136</b>	<b>9,729</b>	<b>-</b>	<b>1,129,865</b>	<b>1,128,727</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	227,939	-	-	227,939	239,387
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>227,939</b>	<b>-</b>	<b>-</b>	<b>227,939</b>	<b>239,387</b>
<b>FUND BALANCES</b>					
Nonspendable	83,944	-	-	83,944	82,451
Restricted for police	-	-	83,336	83,336	93,791
Restricted for public works	-	-	297,609	297,609	524,523
Committed for capital projects	-	2,927,248	-	2,927,248	2,177,953
Unassigned	506,330	-	-	506,330	727,425
<b>TOTAL FUND BALANCES</b>	<b>\$ 590,274</b>	<b>\$ 2,927,248</b>	<b>\$ 380,945</b>	<b>\$ 3,898,467</b>	<b>\$ 3,606,143</b>

\* Restated for comparative purposes.

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

**TOWN OF SMYRNA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

**TOTAL GOVERNMENTAL FUND BALANCES** **\$ 3,898,467**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 20,953,059

Some of the Town's assets are not available to pay for current expenditures and, therefore, are not reported in the funds. 227,939

The net pension asset resulting from contributions in excess of the annual required contribution in 2012 (police and employee) is not a current financial resource and, therefore, is not reported in the governmental funds.

Police Pension Plan	\$ 170,953	
Employee Pension Plan	291,581	462,534

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

Bonds payable	\$ (3,152,450)	
Post-employment benefits	(3,419,530)	
Accrued interest	(37,663)	(6,609,643)

Issuance of debt resulted in prepaid insurance premium costs which will be amortized over the life of the new debt but do not represent current rights. 17,352

Compensated absences that are not due and payable in the current period are not reported in the funds. (415,695)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$18,534,013**

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, 2012**  
(With Summarized Comparative Data for the Year Ended December 31, 2011)

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>	
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
<b>REVENUES</b>					
<b>Taxes:</b>					
Property taxes	\$ 2,342,060	-	\$ -	\$ 2,342,060	\$ 2,024,737
Transfer taxes	512,265	-	-	512,265	361,336
Special assessment/impact fees	207,348	-	-	207,348	182,977
Charges for services	1,236,859	-	-	1,236,859	1,183,416
Intergovernmental	405,109	228,736	239,362	873,207	819,827
Licenses, fees and permits	336,364	-	-	336,364	269,741
Fines and forfeits	214,892	-	-	214,892	130,298
Franchise fees	152,332	41,665	-	193,997	146,203
Investment income	498	13,744	248	14,490	5,827
Miscellaneous	276,449	-	-	276,449	185,096
<b>TOTAL REVENUES</b>	<u>5,684,176</u>	<u>284,145</u>	<u>239,610</u>	<u>6,207,931</u>	<u>5,309,458</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	616,650	-	-	616,650	747,625
Public safety	3,642,538	-	55,585	3,698,123	3,495,209
Public works	1,971,707	-	421,394	2,393,101	2,030,731
Planning and inspection	633,328	-	-	633,328	730,730
Library	305,978	-	-	305,978	264,527
Culture and recreation	240,646	-	-	240,646	176,990
Business park	-	-	-	-	10,360
Neighborhood housing rehabilitation	568	-	-	568	-
Debt service:					
Principal	122,550	-	-	122,550	18,640
Interest	114,214	-	-	114,214	88,146
Bond issuance costs	-	-	-	-	66,515
Capital outlays	-	416,257	-	416,257	80,925
<b>TOTAL EXPENDITURES</b>	<u>7,648,179</u>	<u>416,257</u>	<u>476,979</u>	<u>8,541,415</u>	<u>7,710,398</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(1,964,003)</u>	<u>(132,112)</u>	<u>(237,369)</u>	<u>(2,333,484)</u>	<u>(2,400,940)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Prepayment of note	-	-	-	-	(3,059,986)
Bond issuance	-	-	-	-	3,275,000
Bond discount	-	-	-	-	(46,993)
Transfers in	1,744,401	1,297,921	-	3,042,322	2,498,977
Transfers out	-	(416,514)	-	(416,514)	(412,256)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>1,744,401</u>	<u>881,407</u>	<u>-</u>	<u>2,625,808</u>	<u>2,254,742</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(219,602)</u>	<u>749,295</u>	<u>(237,369)</u>	<u>292,324</u>	<u>(146,198)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>809,876</u>	<u>2,177,953</u>	<u>618,314</u>	<u>3,606,143</u>	<u>3,752,341</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 590,274</u>	<u>\$ 2,927,248</u>	<u>\$ 380,945</u>	<u>\$ 3,898,467</u>	<u>\$ 3,606,143</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, 2012**

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 292,324

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,362,036) exceeded depreciation expense (\$1,021,879). 1,340,157

Loss on disposal of land (27,694)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred inflows of resources increased by this amount this year. 5,702

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 position. 122,550

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	\$	(34,644)	
Net pension assets - Police Plan		83,290	
Net pension assets - Employee Plan		29,732	
Accrued interest		817	
Prepaid insurance costs		(951)	
Net OPEB obligation		<u>(1,079,490)</u>	<u>(1,001,246)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 731,793

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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
<b>Taxes:</b>				
Property taxes	\$ 2,519,783	\$ 2,519,783	\$ 2,342,060	\$ (177,723)
Transfer taxes	400,000	400,000	512,265	112,265
Special assessment/impact fees	-	-	207,348	207,348
Charges for services	1,378,500	1,378,500	1,236,859	(141,641)
Intergovernmental	330,000	330,000	405,109	75,109
Licenses, fees and permits	440,000	440,000	336,364	(103,636)
Fines and forfeits	110,000	110,000	214,892	104,892
Franchise fees	156,350	156,350	152,332	(4,018)
Investment income	5,000	5,000	498	(4,502)
Miscellaneous	65,000	65,000	276,449	211,449
<b>TOTAL REVENUES</b>	<u>5,404,633</u>	<u>5,404,633</u>	<u>5,684,176</u>	<u>279,543</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	765,536	765,536	616,650	148,886
Public safety	3,711,634	3,711,634	3,642,538	69,096
Public works	1,785,986	1,785,986	1,971,707	(185,721)
Planning and inspection	725,860	725,860	633,328	92,532
Library	287,661	287,661	305,978	(18,317)
Culture and recreation	331,976	331,976	240,646	91,330
Business park	11,155	11,155	-	11,155
Neighborhood housing rehabilitation	-	-	568	(568)
Debt service:				
Principal	-	-	122,550	(122,550)
Interest	-	-	114,214	(114,214)
<b>TOTAL EXPENDITURES</b>	<u>7,619,808</u>	<u>7,619,808</u>	<u>7,648,179</u>	<u>(28,371)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(2,215,175)</u>	<u>(2,215,175)</u>	<u>(1,964,003)</u>	<u>251,172</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,215,175	2,215,175	1,744,401	(470,774)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,215,175</u>	<u>2,215,175</u>	<u>1,744,401</u>	<u>(470,774)</u>
<b>NET CHANGES IN FUND BALANCE</b>	-	-	(219,602)	(219,602)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>809,876</u>	<u>809,876</u>	<u>809,876</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 809,876</u>	<u>\$ 809,876</u>	<u>\$ 590,274</u>	<u>\$ (219,602)</u>

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

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2012**  
(With Summarized Comparative Data for December 31, 2011)

	Electric Fund	Water and Sewer Fund	Totals	
			2012	2011*
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 607,181	\$ 156,230	\$ 763,411	\$ 1,662,140
Investments	107,466	-	107,466	107,447
Due from other governments	-	515,426	515,426	169,242
Accounts receivable	3,722,295	447,035	4,169,330	3,901,606
Inventory	770,656	75,184	845,840	821,149
Prepaid items	63,041	31,449	94,490	96,754
<b>Restricted Assets:</b>				
Meter deposits	580,495	200	580,695	542,886
<b>Total Current Assets</b>	<u>5,851,134</u>	<u>1,225,524</u>	<u>7,076,658</u>	<u>7,301,224</u>
<b>Noncurrent Assets:</b>				
Prepaid insurance costs	23,518	-	23,518	24,807
Capital assets, net	12,652,606	24,120,141	36,772,747	33,556,195
<b>Total Noncurrent Assets</b>	<u>12,676,124</u>	<u>24,120,141</u>	<u>36,796,265</u>	<u>33,581,002</u>
<b>TOTAL ASSETS</b>	<u>\$ 18,527,258</u>	<u>\$ 25,345,665</u>	<u>\$ 43,872,923</u>	<u>\$ 40,882,226</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 821,034	\$ 205,690	\$ 1,026,724	\$ 1,304,621
Accrued salaries and benefits	12,817	7,780	20,597	19,179
Accrued interest	49,925	20,019	69,944	62,037
Developer deposits	1,162,575	-	1,162,575	1,077,640
Other liability	423,432	-	423,432	337,380
Accrued compensated absences	5,643	5,368	11,011	11,638
Current portion of bonds payable	168,150	-	168,150	162,450
Current portion of loans payable	-	306,629	306,629	156,555
<b>Current Liabilities Payable from Restricted Assets:</b>				
Meter deposits	580,495	200	580,695	542,886
<b>Total Current Liabilities</b>	<u>3,224,071</u>	<u>545,686</u>	<u>3,769,757</u>	<u>3,674,386</u>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	50,788	48,309	99,097	104,742
Post-employment benefits	226,860	113,430	340,290	251,635
Bonds payable	4,109,400	-	4,109,400	4,277,550
Loans payable	-	6,606,647	6,606,647	5,820,622
<b>Total Noncurrent Liabilities</b>	<u>4,387,048</u>	<u>6,768,386</u>	<u>11,155,434</u>	<u>10,454,549</u>
<b>TOTAL LIABILITIES</b>	<u>7,611,119</u>	<u>7,314,072</u>	<u>14,925,191</u>	<u>14,128,935</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,375,056	17,206,865	25,581,921	23,200,177
Restricted for capital projects	-	236,335	236,335	1,036,547
Unrestricted	2,541,083	588,393	3,129,476	2,516,567
<b>TOTAL NET POSITION</b>	<u>10,916,139</u>	<u>18,031,593</u>	<u>28,947,732</u>	<u>26,753,291</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 18,527,258</u>	<u>\$ 25,345,665</u>	<u>\$ 43,872,923</u>	<u>\$ 40,882,226</u>

\* Restated for comparative purposes.

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

**TOWN OF SMYRNA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(With Summarized Comparative Data for the Year Ended December 31, 2011)

	Electric Fund	Water and Sewer Fund	Totals	
			2012	2011*
<b>OPERATING REVENUES</b>				
User service charges	\$ 13,384,071	\$ 3,224,915	\$ 16,608,986	\$ 17,043,145
Other operating revenue	134,618	27,897	162,515	301,875
<b>Total Operating Revenues</b>	<u>13,518,689</u>	<u>3,252,812</u>	<u>16,771,501</u>	<u>17,345,020</u>
<b>OPERATING EXPENSES</b>				
Electric purchased	9,206,072	-	9,206,072	9,698,494
Sewer charges	-	976,021	976,021	1,077,135
System maintenance	84,006	200,285	284,291	276,463
Salaries and wages	704,756	508,039	1,212,795	1,292,785
Employee benefits	453,230	298,997	752,227	834,131
Depreciation and amortization	604,177	501,875	1,106,052	1,153,217
Supplies and maintenance	138,516	42,611	181,127	129,572
Truck and vehicles	30,079	25,887	55,966	37,712
Insurance	29,355	13,989	43,344	48,603
Administration expenses	73,098	52,479	125,577	117,415
Professional services	276,195	215,221	491,416	463,773
<b>Total Operating Expenses</b>	<u>11,599,484</u>	<u>2,835,404</u>	<u>14,434,888</u>	<u>15,129,300</u>
<b>OPERATING INCOME</b>	<u>1,919,205</u>	<u>417,408</u>	<u>2,336,613</u>	<u>2,215,720</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	131	17	148	140
Interest expense	(150,317)	(115,112)	(265,429)	(373,487)
State grants	-	11,932	11,932	21,365
Intergovernmental	(47,500)	-	(47,500)	(45,000)
<b>Total Nonoperating Expenses</b>	<u>(197,686)</u>	<u>(103,163)</u>	<u>(300,849)</u>	<u>(396,982)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>1,721,519</u>	<u>314,245</u>	<u>2,035,764</u>	<u>1,818,738</u>
Transfers in	152,877	218,637	371,514	46,231
Transfers out	(1,699,401)	(1,297,921)	(2,997,322)	(2,132,952)
Federal stimulus funding	-	58,756	58,756	531,160
Developer capital contributions	424,133	2,301,596	2,725,729	1,087,495
<b>CHANGE IN NET POSITION</b>	<u>599,128</u>	<u>1,595,313</u>	<u>2,194,441</u>	<u>1,350,672</u>
<b>NET POSITION, BEGINNING OF YEAR - RESTATED</b>	<u>10,317,011</u>	<u>16,436,280</u>	<u>26,753,291</u>	<u>25,402,619</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 10,916,139</u>	<u>\$ 18,031,593</u>	<u>\$ 28,947,732</u>	<u>\$ 26,753,291</u>

\* Restated for comparative purposes.

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, 2012**  
(With Summarized Comparative Data for the Year Ended December 31, 2011)

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Received from customers	\$ 13,324,713	\$ 3,295,406	\$ 16,620,119	\$ 17,166,686
Paid to suppliers for goods and services	(9,864,800)	(1,799,337)	(11,664,137)	(12,088,293)
Paid to employees for services	(1,105,151)	(776,071)	(1,881,222)	(2,046,415)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,354,762</u>	<u>719,998</u>	<u>3,074,760</u>	<u>3,031,978</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	152,877	218,637	371,514	46,231
Transfers out	(1,699,401)	(1,297,921)	(2,997,322)	(2,132,952)
State grants	-	11,932	11,932	21,365
Grant-in-aid	(47,500)	-	(47,500)	(45,000)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(1,594,024)</u>	<u>(1,067,352)</u>	<u>(2,661,376)</u>	<u>(2,110,356)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Repayment of loans payable	(162,450)	(221,634)	(384,084)	(4,758,966)
Loan proceeds	-	701,064	701,064	813,701
Bond proceeds	-	-	-	4,440,000
Bond issuance costs	-	-	-	(156,061)
Developer contributions and repayments of escrows	516,586	-	516,586	164,141
Acquisition and construction of capital assets	(728,648)	(1,291,071)	(2,019,719)	(2,139,451)
Federal stimulus funding	-	169,242	169,242	2,657,873
Interest paid	(151,400)	(106,122)	(257,522)	(329,557)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(525,912)</u>	<u>(748,521)</u>	<u>(1,274,433)</u>	<u>691,680</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments	(19)	-	(19)	(28)
Investment income	131	17	148	140
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>112</u>	<u>17</u>	<u>129</u>	<u>112</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	234,938	(1,095,858)	(860,920)	1,613,414
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>952,738</u>	<u>1,252,288</u>	<u>2,205,026</u>	<u>591,612</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,187,676</u>	<u>\$ 156,430</u>	<u>\$ 1,344,106</u>	<u>\$ 2,205,026</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income	\$ 1,919,205	\$ 417,408	\$ 2,336,613	\$ 2,215,720
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	604,177	501,875	1,106,052	1,153,217
(Increase) Decrease in:				
Accounts receivable	(310,318)	42,594	(267,724)	(239,464)
Inventory	(20,832)	(3,859)	(24,691)	62,051
Prepaid expenses	1,946	318	2,264	(4,610)
Increase (Decrease) in:				
Accounts payable	(8,593)	(269,304)	(277,897)	(296,569)
Other liability	86,052	-	86,052	-
Accrued salaries and benefits	389	1,029	1,418	(7,143)
Deferred revenue	(7,519)	-	(7,519)	3,852
Meter deposits	37,809	-	37,809	57,278
Post-employment benefit obligations	59,103	29,552	88,655	84,805
Compensated absences	(6,657)	385	(6,272)	2,841
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,354,762</u>	<u>\$ 719,998</u>	<u>\$ 3,074,760</u>	<u>\$ 3,031,978</u>
Noncash capital and related financing activities:				
Contributions of capital assets from developers	<u>\$ -</u>	<u>\$ 2,301,596</u>	<u>\$ 2,301,596</u>	<u>\$ 937,998</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:</b>				
Cash and cash equivalents	\$ 607,181	\$ 156,230	\$ 763,411	\$ 1,662,140
Meter deposits - restricted	580,495	200	580,695	542,886
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,187,676</u>	<u>\$ 156,430</u>	<u>\$ 1,344,106</u>	<u>\$ 2,205,026</u>

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

**TOWN OF SMYRNA**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2012**  
**(With Comparative Data for December 31, 2011)**

	<b>Totals</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 202,891	\$ 359,696
Accounts receivable	21,000	-
Investments at fair value:		
Mutual funds	8,837,998	6,969,448
Fixed income	66,880	19,006
Insurance contracts	3,507,437	3,416,330
<b>TOTAL ASSETS</b>	<b>\$ 12,636,206</b>	<b>\$ 10,764,480</b>
 <b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 52,232	\$ 18,781
<b>NET POSITION</b>		
Assets held in trust for employee pension benefits	12,583,974	10,745,699
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 12,636,206</b>	<b>\$ 10,764,480</b>

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

**TOWN OF SMYRNA**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(With Comparative Data for the Year Ended December 31, 2011)**

	<b>Totals</b>	
	<b>2012</b>	<b>2011</b>
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Employer contribution	\$ 1,186,674	\$ 1,386,332
Employee contributions	136,256	39,674
State aid - police	94,544	78,992
<b>Total Contributions</b>	<b>1,417,474</b>	<b>1,504,998</b>
<b>Investment income:</b>		
Interest and dividends	340,668	347,181
Net appreciation (depreciation) in fair value of investments	691,856	(100,617)
<b>Total Investment Income</b>	<b>1,032,524</b>	<b>246,564</b>
Less investment expense	182,787	156,678
<b>Net Investment Income</b>	<b>849,737</b>	<b>89,886</b>
<b>TOTAL ADDITIONS</b>	<b>2,267,211</b>	<b>1,594,884</b>
<b>DEDUCTIONS:</b>		
Benefits paid	426,324	425,873
Administrative expenses	2,612	5,107
<b>TOTAL DEDUCTIONS</b>	<b>428,936</b>	<b>430,980</b>
<b>CHANGE IN NET POSITION</b>	<b>1,838,275</b>	<b>1,163,904</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>10,745,699</b>	<b>9,581,795</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 12,583,974</b>	<b>\$ 10,745,699</b>

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, and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," 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 position and the statement of activities) 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 position in one of three components. Net investment in capital assets, 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 position is reported as restricted when constraints placed on their 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 position arising from special revenue and capital projects funds. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets," 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 asset 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.

The Town reports the following major proprietary funds:

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

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

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

The Town also reports the following fund type:

**Pension Trust Funds** - These funds are used to account for the assets held by the pension plan for full-time Town 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

With limited exceptions, the effects of interfund activity have been eliminated from the entity-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.

Deposits and Investments

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.

Investments for the Town are reported at fair value.

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 and are recorded at cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Compensated Absences

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

Accumulated vacation and sick leave is accrued when incurred in the entity-wide financial statements and proprietary fund types. A liability 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. With the exception of bond insurance premiums, all other costs are expensed in the governmental and business-type activities when incurred.

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. To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.

*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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted as they are needed. When committed, assigned, and unassigned funds are available for expenditure, it is the Town's policy to use committed funds first, assigned funds second, and unassigned funds last, unless the Town council has provided otherwise in its commitment or assignment actions.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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 2012 was 29 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 entity-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 2012, there were no revisions to the legally adopted budgets.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Implementation of New Accounting Pronouncements

During the current year, the Town elected to early implement GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This new guidance affects the treatment of component units within the financial statements. The implementation of this new Statement did not have an effect on the Town's current year financial statements.

The Town has implemented the provisions of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," which revises the hierarchy of applying accounting standards to certain defined transactions, and the provisions of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Neither of these Statements has a significant impact on the changes in net position for the Town for the year ended December 31, 2012.

Effective January 1, 2012, the Town elected to early implement the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). See the prior period adjustment footnote disclosure for the restatement effects to these financial statements.

Accounting for the Effects of Rate Regulation

Effective January 1, 2012 the Town has elected to be subject to the provisions of FASB ASC 980 "Regulated Operations." This statement recognizes the economic ability of regulators, through the ratemaking process, to create future economic benefits and obligations affecting rate-regulated companies. Accordingly, the Town records these future obligations as regulatory liabilities.

Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be refunded to customers through the ratemaking process.

In order for a rate regulated entity to continue to apply the provisions of FASB ASC 980 "Regulated Operations," it must continue to meet the following three criteria: (i) the entity's rates for regulated services provided to its customers must be established by an independent third-party regulator or its own governing board empowered by a statute to establish rates that bind customers; (ii) the regulated rates must be designed to recover the specific entity's cost of providing the regulated services, and (iii) in view of the demand for the regulated services and the level of competition, it is reasonable to assume that the rates set at levels that will recover the entity's cost can be charged to and collected from customers.

Based upon the Town's evaluation of the three criteria above in relation to its operations, and the effect of competition on its ability to recover costs, the Town believes that FASB ASC 980 "Regulated Operations" continues to apply.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

The Town regularly assesses whether regulated liabilities are probable of refund. If recovery or refund is not approved by Town council, which sets rates charged to customers, or if it becomes no longer probable that these amounts will be realized or refunded, they would need to be written off and recognized in the current period results of operations.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2012, the General Fund incurred expenditures in excess of appropriations in the following functions:

Public works	\$ 185,721
Library	\$ 18,317
Neighborhood housing rehabilitation	\$ 568
Debt service	\$ 236,764

The excess of expenditures was funded by transfers in from the proprietary funds and other 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 position as either cash or investments. Deposits and investments of governmental, proprietary and fiduciary funds are reported at fair value.

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

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

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2012, the carrying amount of the Town's deposits was \$1,541,394 and the bank balance was \$1,884,974. The Town maintains its cash in bank 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, 2012. The Town has not experienced any losses in such accounts. As of December 31, 2012, the uninsured balance was \$0.

The above does not include pension fund deposits disclosed in Notes 10 and 11.

***Investments***

As of December 31, 2012, the Town had the following investments:

U.S. Treasury bills	\$ 3,624,399
Mutual funds	<u>561,000</u>
	<u>\$ 4,185,399</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, 2012, the Town's investments in U.S. Treasury bills had maturity dates of less than one year.

Custodial Credit Risk

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Credit Risk

The Town has an investment policy which limits investment choices to those which are backed by the full faith and credit of the U.S. Government through either an explicit or implied manner; obligations of a state, county or city, or institutional investment pools with a Moody's Investor Services rating of "A" or better or an equivalent rating from other industry-recognized rating agencies; and investments in corporate bonds and debentures with a Moody's Investor Services or Standard and Poor's rating of at least "AA." The Town's investments in mutual funds are rated "AAA" by Standard and Poor's and "Four Stars" 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 10 and 11.

NOTE 4 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,110,795	\$ -	\$ 27,694	\$ 1,083,101
Construction-in-progress	34,280	30,000	-	64,280
Total Capital Assets Not Being Depreciated	<u>1,145,075</u>	<u>30,000</u>	<u>27,694</u>	<u>1,147,381</u>
Capital assets being depreciated:				
Buildings and improvements	6,743,611	103,822	-	6,847,433
Infrastructure	17,866,540	2,122,881	-	19,989,421
Land improvements	763,726	-	-	763,726
Machinery and equipment	3,847,138	105,333	-	3,952,471
Total Capital Assets Being Depreciated	<u>29,221,015</u>	<u>2,332,036</u>	<u>-</u>	<u>31,553,051</u>
Less accumulated depreciation for:				
Buildings and improvements	1,202,144	133,392	-	1,335,536
Infrastructure	6,301,929	616,550	-	6,918,479
Land improvements	433,835	23,891	-	457,726
Machinery and equipment	2,787,586	248,046	-	3,035,632
Total accumulated depreciation	<u>10,725,494</u>	<u>1,021,879</u>	<u>-</u>	<u>11,747,373</u>
Total Capital Assets Being Depreciated, Net	<u>18,495,521</u>	<u>1,310,157</u>	<u>-</u>	<u>19,805,678</u>
Governmental Activities Assets, Net	<u>\$ 19,640,596</u>	<u>\$ 1,340,157</u>	<u>\$ 27,694</u>	<u>\$ 20,953,059</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	\$ 92,445	\$ -	\$ 177,616
Construction-in-progress	<u>787,713</u>	<u>522,548</u>	<u>175,259</u>	<u>1,135,002</u>
Total Capital Assets Not Being Depreciated	<u>872,884</u>	<u>614,993</u>	<u>175,259</u>	<u>1,312,618</u>
Capital assets being depreciated:				
Buildings and improvements	3,198,571	-	-	3,198,571
Infrastructure	36,651,842	3,735,227	-	40,387,069
Machinery and equipment	<u>1,277,797</u>	<u>146,354</u>	-	<u>1,424,151</u>
Total Capital Assets Being Depreciated	<u>41,128,210</u>	<u>3,881,581</u>	<u>-</u>	<u>45,009,791</u>
Less accumulated depreciation for:				
Buildings and improvements	743,986	61,432	-	805,418
Infrastructure	6,639,552	986,594	-	7,626,146
Machinery and equipment	<u>1,061,361</u>	<u>56,737</u>	-	<u>1,118,098</u>
Total accumulated depreciation	<u>8,444,899</u>	<u>1,104,763</u>	<u>-</u>	<u>9,549,662</u>
Total Capital Assets Being Depreciated, Net	<u>32,683,311</u>	<u>2,776,818</u>	<u>-</u>	<u>35,460,129</u>
Business-type Activities Assets, Net	<u>\$ 33,556,195</u>	<u>\$ 3,391,811</u>	<u>\$ 175,259</u>	<u>\$ 36,772,747</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 109,588
Public safety	120,869
Public works	757,051
Planning and inspection	1,562
Library	14,228
Culture and recreation	<u>18,581</u>
Total Depreciation Expense - Governmental Activities	<u>\$1,021,879</u>
Business-type Activities:	
Electric	\$ 602,888
Water	<u>501,875</u>
Total Depreciation Expense - Business-type Activities	<u>\$1,104,763</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds payable	\$ 3,275,000	\$ -	\$ 122,550	\$ 3,152,450	\$ 126,850
Compensated absences	381,051	398,734	364,090	415,695	41,570
Post-employment benefits	<u>2,340,040</u>	<u>1,079,490</u>	<u>-</u>	<u>3,419,530</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 5,996,091</u></b>	<b><u>\$ 1,478,224</u></b>	<b><u>\$ 486,640</u></b>	<b><u>\$ 6,987,675</u></b>	<b><u>\$ 168,420</u></b>
<b>Business-type Activities:</b>					
Loans payable	\$ 5,977,177	\$ 1,157,733	\$ 221,634	\$ 6,913,276	\$ 306,629
Bonds payable	4,440,000	-	162,450	4,277,550	168,150
Compensated absences	116,380	53,711	59,983	110,108	11,011
Post-employment benefits	<u>251,635</u>	<u>88,655</u>	<u>-</u>	<u>340,290</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$10,785,192</u></b>	<b><u>\$ 1,300,099</u></b>	<b><u>\$ 444,067</u></b>	<b><u>\$11,641,224</u></b>	<b><u>\$ 485,790</u></b>

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 2% to 4.4% payable on March 1 and September 1.

\$ 3,152,450

Total Governmental Activities

\$ 3,152,450

**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.

\$ 7,500

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

1,082,992

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. 1,356,808

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 2% to 4.4% payable on March 1 and September 1. 4,277,550

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control in the total amount of \$5,975,000. The loan is used to finance a number of municipal projects to improve, upgrade and expand the Town's wastewater system. The loan is set to mature on April 30, 2032 and bears interest at 2%, payable semi-annually. The Town is still drawing down on this loan. 2,421,729

Loan payable issued by the Delaware Department of Health and Social Services to finance the Town's drinking water project. The loan matures May 1, 2031 and bears interest at 3.24% payable on May 1 and November 1. 1,788,740

Loan payable issued by the Delaware Department of Health and Social Services in the total amount of \$1,156,275 to finance the Town's Drinking Water project. There is no interest on this loan. The Town is still drawing down on this loan. 47,447

The Town obtained a Line of Credit in the amount of \$1,000,000 to assist in providing interim funding for specific Water and Sewer projects that have committed financing in place. Interest is paid monthly at a floating rate. At year end, the interest rate was 1.8% 7,848

The Town obtained a Line of Credit in the amount of \$1,300,000 to assist in providing interim funding for a water project in the Town's north duck creek area. Interest is paid monthly at a floating rate. At year end, the interest rate was 1.6%. 58,756

Loan payable issued by the United States Department of Agriculture in the total amount of \$1,190,000 to finance the Town's drinking water north of duck creek project. Interest is payable quarterly at the rate of 2.1%. The Town is still drawing down on this loan. 141,456

Total Business-type Activities \$11,190,826

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

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>
2013	\$ 601,629	\$ 378,323	\$ 979,952
2014	539,023	365,875	904,898
2015	550,706	353,442	904,148
2016	567,579	339,676	907,255
2017	579,646	325,064	904,710
2018-2022	3,171,478	1,358,247	4,529,725
2023-2027	5,689,710	809,458	6,499,168
2028-2031	<u>2,643,505</u>	<u>210,783</u>	<u>2,854,288</u>
Total	<u>\$ 14,343,276</u>	<u>\$ 4,140,868</u>	<u>\$ 18,484,144</u>

Compensated Absences

At December 31, 2012, accrued compensated absences for governmental activities totaled \$415,695. This total is comprised of accrued vacation leave of \$174,467 and accrued sick leave of \$241,228. In addition, at December 31, 2012, accrued compensated absences in the business-type activities and proprietary funds totaled \$110,108. This total is comprised of accrued vacation leave of \$48,448 and accrued sick leave of \$61,660.

NOTE 6 INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2012 was as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ -	\$ 1,744,401
Capital Reserve Fund	416,514	1,297,921
Water and Sewer Fund	1,297,921	218,637
Electric Fund	<u>1,699,401</u>	<u>152,877</u>
TOTAL	<u>\$ 3,413,836</u>	<u>\$ 3,413,836</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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 FUND BALANCE

As of December 31, 2012, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 56,378	\$ -	\$ -	\$ 56,378
Inventory	27,566	-	-	27,566
Restricted:				
Police	-	-	83,336	83,336
Public works	-	-	297,609	297,609
Committed:				
Capital projects	-	2,927,248	-	2,927,248
Unassigned	<u>506,330</u>	<u>-</u>	<u>-</u>	<u>506,330</u>
Total Fund Balances	<u>\$ 590,274</u>	<u>\$ 2,927,248</u>	<u>\$ 380,945</u>	<u>\$ 3,898,467</u>

NOTE 8 NET INVESTMENT IN CAPITAL ASSETS

A schedule of invested in capital assets, net of related debt as of December 31, 2012 is as follows:

Governmental Activities:	
Total capital assets, net	\$ 20,953,059
Less: loans/bonds payable	<u>3,152,450</u>
Total Net Investment in Capital Assets	<u>\$ 17,800,609</u>
Business-type Activities:	
Total capital assets, net	\$ 36,772,747
Less: loans/bonds payable	<u>11,190,826</u>
Total Net Investment in Capital Assets	<u>\$ 25,581,921</u>

NOTE 9 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 9 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 POSITION - PENSION TRUST FUNDS**  
December 31, 2012

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 98,900	\$ 103,991	\$ 202,891
Accounts receivable	-	21,000	21,000
Investments at fair value:			
Mutual funds	3,690,532	5,147,466	8,837,998
Fixed income	7,410	59,470	66,880
Insurance contracts	1,996,898	1,510,539	3,507,437
<b>TOTAL ASSETS</b>	<u>\$ 5,793,740</u>	<u>\$ 6,842,466</u>	<u>\$ 12,636,206</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES:</b>			
Liabilities	\$ 43,273	\$ 8,959	\$ 52,232
<b>NET POSITION</b>			
Assets held in trust for employee pension benefits	5,750,467	6,833,507	12,583,974
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 5,793,740</u>	<u>\$ 6,842,466</u>	<u>\$ 12,636,206</u>

**STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS**  
For the Year Ended December 31, 2012

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
<b>ADDITIONS</b>			
<b>Contributions:</b>			
Employer contribution	\$ 549,083	\$ 637,591	\$ 1,186,674
Employee contribution	92,147	44,109	136,256
State aid - police	94,544	-	94,544
<b>Total Contributions</b>	<u>735,774</u>	<u>681,700</u>	<u>1,417,474</u>
<b>Investment Income:</b>			
Interest and dividends	170,985	169,683	340,668
Net appreciation in fair value of investments	254,385	437,471	691,856
<b>Total Investment Income</b>	<u>425,370</u>	<u>607,154</u>	<u>1,032,524</u>
Less investment expense	85,201	97,586	182,787
<b>Net Investment Income</b>	<u>340,169</u>	<u>509,568</u>	<u>849,737</u>
<b>TOTAL ADDITIONS</b>	<u>1,075,943</u>	<u>1,191,268</u>	<u>2,267,211</u>

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLANS (cont'd)

**STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS  
For the Year Ended December 31, 2012**

(cont'd)	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
DEDUCTIONS			
Benefits paid	320,657	105,667	426,324
Administrative expenses	<u>1,267</u>	<u>1,345</u>	<u>2,612</u>
TOTAL DEDUCTIONS	<u>321,924</u>	<u>107,012</u>	<u>428,936</u>
 CHANGE IN NET POSITION	 754,019	 1,084,256	 1,838,275
 NET POSITION, BEGINNING OF YEAR	 <u>4,996,448</u>	 <u>5,749,251</u>	 <u>10,745,699</u>
 NET POSITION, END OF YEAR	 <u>\$ 5,750,467</u>	 <u>\$ 6,833,507</u>	 <u>\$ 12,583,974</u>

NOTE 10 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. Police officers are required to contribute seven percent of compensation (base earnings plus longevity) beginning July 1, 2011, accumulated at an annual compound rate of interest of five percent per year. Police officer contributions totaled \$92,147 in 2012. The Town is required to contribute at an actuarially determined rate.

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 10 POLICE PENSION FUND (cont'd)

As of January 1, 2012, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	20
Terminated vested participants	4
Retirees and beneficiaries currently receiving benefits	<u>12</u>
	<u>36</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 percent 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 Statement 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 10 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, 2012, the carrying amount of the Police Pension Fund deposits was \$98,900, and the bank balance of the Police Pension Fund deposits was \$98,741. Of this amount, \$91,536 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$7,205 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, 2012, the Town of Smyrna Police Pension Plan had the following investments:

	Fair Value
Domestic Equity Portfolio	\$ 1,335,282
International Equity Portfolio	554,654
Fixed Income Portfolio	1,252,553
Real Estate Portfolio	186,386
Alternative Portfolio	257,080
Securitized Reserve Portfolio	104,577
Daily Income Fund Money Portfolio	7,410
Unallocated fixed income insurance contracts	1,996,898
Total	\$ 5,694,840

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 10 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 in level dollar amounts to be paid over a specified number of years. The remaining amortization period at December 31, 2012 was seven 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>
12/31/2012	\$ 652,484	112.77%	\$ (170,953)
12/31/2011	\$ 683,829	101.94%	\$ (87,663)
12/31/2010	\$ 636,517	91.45%	\$ (74,420)

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION FUND (cont'd)

Annual required contribution	\$ 643,627
Interest on net pension asset	(5,260)
Adjustment to annual required contribution	<u>14,117</u>
Annual pension cost	652,484
Contributions made	<u>(735,774)</u>
Increase in net pension asset	(83,290)
Net pension asset - beginning of year	<u>(87,663)</u>
Net pension asset - end of year	<u>\$ (170,953)</u>

	(1)	(2)	(3)	(4)	(5)	(6)
				Unfunded (assets in excess of) Accrued Liability (2)- (1)	Annual Covered Payroll	Unfunded (assets in excess of) Accrued Liability as a % of Payroll (4)/(5)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)			
1/1/2012	\$5,621,594	\$8,379,209	67.09%	\$2,757,615	\$1,161,460	237.43%

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, 2012 Actuarial Valuation presented by Milliman, Inc., signed by Graham A. Harrison, FSA and Timothy J. Nugent, FSA, dated February 3, 2013.

NOTE 11 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. Union participants are required to contribute 3% of annual compensation in excess of \$6,000 on or after January 1, 2012. For non-union participants, no contributions are required. Contributions are accumulated at a annual compound rate of interest of 5% per year. Employee contributions totaled \$44,109 in 2012. The Town is required to contribute an actuarially determined rate.

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 11 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, 2012, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	52
Terminated vested participants	23
Retirees and beneficiaries currently receiving benefits	<u>7</u>
	<u>82</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.

Participant benefits are based on the highest average compensation of three consecutive calendar years of compensation multiplied by the sum of the product of benefit service and the accrual rate for each service period specified below based on union status:

	<u>Union</u>	<u>Non-union</u>
Before January 1, 2006	2.00%	2.00%
January 1, 2006 – December 31, 2011	2.50%	2.50%
January 1, 2012 – February 29, 2012	1.67%	2.50%
March 1, 2012 and after	1.67%	2.25%

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.

A participant shall receive a refund of his accumulated employee contributions with interest, (a) automatically if he terminates employment before completion of 5 years of service, or (b) upon request before normal retirement if he terminates employment after becoming vested, in which case no further benefits are payable.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

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.

Valuation of Investments

In accordance with GASB Statement 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, 2012, the carrying amount of the full-time employee pension fund deposits was \$103,991, and the bank balance was \$103,861. Of this amount, \$44,372 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$59,489 was equal to the deposits in a federated prime obligations fund held by the trustee of the pension plan in the Town's name.

***Investments***

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

As of December 31, 2012, the Town of Smyrna Full-time Employee Pension Plan had the following investments:

	<u>Fair Value</u>
Domestic Equity Portfolio	\$ 1,881,371
International Equity Portfolio	779,566
Fixed Income Portfolio	1,712,301
Real Estate Portfolio	261,939
Alternative Portfolio	360,552
Securitized Reserve Portfolio	151,737
Daily Income Fund Money Portfolio	59,470
Unallocated fixed income insurance contracts	<u>1,510,539</u>
Total	<u>\$ 6,717,475</u>

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

Administrative Costs

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

Annual Pension Cost

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

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

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 in level dollar amounts to be paid over a specified number of years. The remaining amortization period at December 31, 2012 was seven 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>
12/31/2012	\$ 653,584	104.30%	\$ (374,889)
12/31/2011	\$ 708,657	108.41%	\$ (346,774)
12/31/2010	\$ 542,282	91.56%	\$ (287,179)

The Governmental Activities have a net pension asset of \$462,534, of which \$170,953 is attributed to the Police Pension Plan and \$291,581 is attributed to the Employee Pension Plan as indicated in the table below. The Business-type Activities have a net pension asset of \$83,308 of which \$55,539 is attributed to the Electric Fund and \$27,769 is attributed to the Water and Sewer Fund as indicated in the following table.

	<u>Governmental Activities</u>	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Annual required contribution	\$ 481,092	\$ 91,637	\$ 45,818	\$ 618,547
Interest on net pension asset	(16,182)	(3,082)	(1,541)	(20,805)
Adjustment to annual required contribution	<u>43,433</u>	<u>8,273</u>	<u>4,173</u>	<u>55,843</u>
Annual pension cost	508,343	96,828	48,414	653,585
Contributions made	<u>(530,211)</u>	<u>(100,993)</u>	<u>(50,496)</u>	<u>(681,700)</u>
Increase in net pension asset	(21,868)	(4,165)	(2,082)	(28,115)
Net pension asset, beginning of year	<u>(269,713)</u>	<u>(51,374)</u>	<u>(25,687)</u>	<u>(346,774)</u>
Net pension asset, end of year	<u>\$ (291,581)</u>	<u>\$ (55,539)</u>	<u>\$ (27,769)</u>	<u>\$ (374,889)</u>

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

	(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)
1/1/2012	\$6,350,037	\$7,006,752	90.63%	\$656,715	\$2,452,320	26.78%

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

The above information regarding the Full-time Employees Pension Fund was taken from the January 1, 2012 Actuarial Valuation presented by Milliman, Inc., signed by Graham A. Harrison, FSA and Jill M. Stanulis, EA, dated February 2013.

NOTE 12 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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Council. For fiscal year 2012, the Town contributed \$48,193 to the plan for current premiums, or approximately 87 percent of total premiums. Plan members receiving benefits contributed \$7,294, or approximately 13 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, 2012 totaled \$55,486.

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>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 861,524	\$ 613,473	\$ 613,473
Interest on OPEB obligation	50,154	-	-
Adjustment to annual required contribution	<u>(157,355)</u>	<u>(27,458)</u>	<u>(27,458)</u>
Annual OPEB cost (expense)	754,323	586,015	586,015
Contributions made	<u>(69,000)</u>	<u>(72,800)</u>	<u>(58,300)</u>
Increase in net OPEB obligation	685,323	513,215	527,715
Net OPEB obligation, beginning of year	<u>1,543,193</u>	<u>1,029,978</u>	<u>502,263</u>
Net OPEB obligation, end of year	<u>\$ 2,228,516</u>	<u>\$ 1,543,193</u>	<u>\$ 1,029,978</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation through fiscal year 2012 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>NET OPEB Obligation</u>
2012	\$ 754,323	9%	\$ 2,228,516
2011	\$ 586,015	12%	\$ 1,543,193
2010	\$ 586,015	10%	\$ 1,029,978

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$5,161,700, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$5,161,700. The covered payroll (annual payroll of active employees covered by the plan) was \$1,161,000, and the ratio of the UAAL to the covered payroll was 444.6 percent.

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

Actuarial Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 3.25 percent per annum, discount rate compounded annually, a 2.5 percent per annum inflation rate, 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 2084 and later. The UAAL is being amortized based on a level dollar, 15-year closed period. The remaining amortization period at December 31, 2012 was 11 years.

NOTE 13 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2012, the Town contributed \$5,833 to the plan for current premiums, or 100 percent of total premiums.

Post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2012 totaled \$5,833.

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>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 565,657	\$ 394,962	\$ 394,962
Interest on OPEB obligation	34,076	-	-
Adjustment to annual required contribution	<u>(106,911)</u>	<u>(18,405)</u>	<u>(18,405)</u>
Annual OPEB cost (expense)	492,822	376,557	376,557
Contributions made	<u>(10,000)</u>	<u>(23,200)</u>	<u>(18,100)</u>
Increase in net OPEB obligation	482,822	353,357	358,457
Net OPEB obligation, beginning of year	<u>1,048,482</u>	<u>695,125</u>	<u>336,668</u>
Net OPEB obligation, end of year	<u>\$1,531,304</u>	<u>\$1,048,482</u>	<u>\$ 695,125</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation through fiscal year 2012 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>NET OPEB Obligation</u>
2012	\$ 492,822	9%	\$ 1,531,304
2011	\$ 376,557	6%	\$ 1,048,482
2010	\$ 376,557	6%	\$ 695,125

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$3,000,100, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$3,000,100. 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 120.9 percent.

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

Actuarial Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 3.25 percent per annum, discount rate compounded annually, a 2.50 percent per annum inflation rate, 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 2084 and later. The UAAL is being amortized based on a level dollar, 15-year closed period. The remaining amortization period at December 31, 2012 was 11 years.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 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 15 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 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 Unit #2 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. Unit #2 went 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 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 12/31/2012</u>
Waste Water System Project	\$ 5,975,000	\$ 2,345,453
Commerce Street – Water	1,156,275	47,447
North of Duck Creek - Water	<u>1,190,000</u>	<u>200,212</u>
	<u>\$ 8,321,275</u>	<u>\$ 2,593,112</u>

Certain projects totaling \$1,393,830 within the above-noted projects have been completed and placed in service.

NOTE 17 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 or the three prior years.

NOTE 18 ADVANCE PAYMENTS

The Town received an advance payment of impact fees totaling \$931,241 in the General Fund. As of December 31, 2012, only an amount totaling \$302,705 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$628,536 has been classified as a liability and will be recognized as revenue over time as the Town is able to establish an enforceable legal claim to these resources.

NOTE 19 RESTATEMENTS

The Town has adjusted its beginning net asset amount for its business-type activities and the electric fund, due to the effects of implementing GASB Statement No. 65 and FASB ASC 980. This adjustment totaled \$462,782. The result is a decrease in the beginning net position of the electric fund and an increase in liabilities to reflect the deferral of certain regulatory rate adjustments.

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 PRIOR PERIOD ADJUSTMENTS (cont'd)

In addition, the Town has adjusted its beginning net position amount of its governmental activities due to the effects of implementing GASB Statement No. 65. This adjustment totaled \$90,949. The result is a decrease in the beginning net position of the governmental activities.

NOTE 20 SUBSEQUENT EVENTS

In March 2013, Council approved a borrowing resolution authorizing the borrowing of up to \$4,000,000 in the form of a non-revolving line of credit loan from PNC Bank to provide interim funding for the renovation and expansion of the Town of Smyrna Police Department Building.

The Town has evaluated all subsequent events through May 15, 2013, 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)
<b>POLICE</b>						
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%
1/1/12	5,621,594	8,379,209	67.09%	2,757,615	1,161,460	237.43%
<b>FULL-TIME EMPLOYEE</b>						
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%
1/1/12	6,350,037	7,006,752	90.63%	656,715	2,452,320	26.78%

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
12/31/2012	\$ 643,627	114.32%	\$ 618,547	110.39%
12/31/2011	683,829	107.74%	708,657	108.41%
12/31/2010	636,517	91.45%	715,823	91.56%
12/31/2009	469,209	100.17%	542,282	100.16%
12/31/2008	433,209	100.00%	493,464	100.00%
12/31/2007	434,667	106.82%	415,674	108.09%

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	1/1/2012	\$ -	\$3,000,100	\$3,000,100	0.00%	\$2,244,000	120.90%
Police	1/1/2012	-	5,161,700	5,161,700	0.00%	1,161,000	444.60%
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	12/31/2012	\$ 492,822	2.00%	\$ 1,531,034
Police	12/31/2012	754,323	9.00%	2,228,516
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, 2012**

	<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>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,258	\$ 9,282	\$ 6,518	\$ 60,265	\$ 7,271	\$ 95,594
Investments	207,730	-	-	-	-	207,730
Grants receivable	77,621	-	-	-	-	77,621
<b>TOTAL ASSETS</b>	<u>\$ 297,609</u>	<u>\$ 9,282</u>	<u>\$ 6,518</u>	<u>\$ 60,265</u>	<u>\$ 7,271</u>	<u>\$ 380,945</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>						
Restricted for:						
Police expenditures	-	9,282	6,518	60,265	7,271	83,336
Public works expenditures	297,609	-	-	-	-	297,609
<b>TOTAL FUND BALANCES</b>	<u>297,609</u>	<u>9,282</u>	<u>6,518</u>	<u>60,265</u>	<u>7,271</u>	<u>380,945</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 297,609</u>	<u>\$ 9,282</u>	<u>\$ 6,518</u>	<u>\$ 60,265</u>	<u>\$ 7,271</u>	<u>\$ 380,945</u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Municipal Street Aid Fund</b>	<b>S.A.L.L.E. Fund</b>	<b>E.I.D.E. Fund</b>	<b>Resource Officer Fund</b>	<b>Forfeiture Fund</b>	<b>Total</b>
<b>REVENUES</b>						
Intergovernmental	\$ 194,232	\$ 7,178	\$ 5,200	\$ 21,736	\$ 11,016	\$ 239,362
Investment income	248	-	-	-	-	248
<b>TOTAL REVENUES</b>	<u>194,480</u>	<u>7,178</u>	<u>5,200</u>	<u>21,736</u>	<u>11,016</u>	<u>239,610</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Public safety - police	-	14,929	9,950	15,799	14,907	55,585
Public works	421,394	-	-	-	-	421,394
<b>TOTAL EXPENDITURES</b>	<u>421,394</u>	<u>14,929</u>	<u>9,950</u>	<u>15,799</u>	<u>14,907</u>	<u>476,979</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(226,914)</u>	<u>(7,751)</u>	<u>(4,750)</u>	<u>5,937</u>	<u>(3,891)</u>	<u>(237,369)</u>
<b>NET CHANGES IN FUND BALANCE</b>	(226,914)	(7,751)	(4,750)	5,937	(3,891)	(237,369)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>524,523</u>	<u>17,033</u>	<u>11,268</u>	<u>54,328</u>	<u>11,162</u>	<u>618,314</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 297,609</u>	<u>\$ 9,282</u>	<u>\$ 6,518</u>	<u>\$ 60,265</u>	<u>\$ 7,271</u>	<u>\$ 380,945</u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2012**  
**(With Summarized Comparative Data for December 31, 2011)**

	<u>Police Pension Trust Fund</u>	<u>Employee Pension Trust Fund</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 98,900	\$ 103,991	\$ 202,891	\$ 359,696
Accounts receivable	-	21,000	21,000	-
Investments at fair value:				
Mutual funds	3,690,532	5,147,466	8,837,998	6,969,448
Fixed income	7,410	59,470	66,880	19,006
Insurance contracts	<u>1,996,898</u>	<u>1,510,539</u>	<u>3,507,437</u>	<u>3,416,330</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,793,740</u></u>	<u><u>\$ 6,842,466</u></u>	<u><u>\$12,636,206</u></u>	<u><u>\$10,764,480</u></u>
 <b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 43,273	\$ 8,959	\$ 52,232	\$ 18,781
 <b>NET POSITION</b>				
Assets held in trust for employee pension benefits	<u>5,750,467</u>	<u>6,833,507</u>	<u>12,583,974</u>	<u>10,745,699</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 5,793,740</u></u>	<u><u>\$ 6,842,466</u></u>	<u><u>\$12,636,206</u></u>	<u><u>\$10,764,480</u></u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(With Summarized Comparative Data for the Year Ended December 31, 2011)**

	<u>Police Pension Trust Fund</u>	<u>Employee Pension Trust Fund</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
<b>ADDITIONS:</b>				
<b>Contributions:</b>				
Employer contribution	\$ 549,083	\$ 637,591	\$ 1,186,674	\$ 1,386,332
Employee contributions	92,147	44,109	136,256	39,674
State aid - police	94,544	-	94,544	78,992
<b>Total Contributions</b>	<u>735,774</u>	<u>681,700</u>	<u>1,417,474</u>	<u>1,504,998</u>
<b>Investment Income:</b>				
Interest and dividends	170,985	169,683	340,668	347,181
Net appreciation (depreciation) in fair value of investments	254,385	437,471	691,856	(100,617)
<b>Total Investment Income</b>	<u>425,370</u>	<u>607,154</u>	<u>1,032,524</u>	<u>246,564</u>
Less investment expense	85,201	97,586	182,787	156,678
<b>Net Investment Income</b>	<u>340,169</u>	<u>509,568</u>	<u>849,737</u>	<u>89,886</u>
<b>TOTAL ADDITIONS</b>	<u>1,075,943</u>	<u>1,191,268</u>	<u>2,267,211</u>	<u>1,594,884</u>
<b>DEDUCTIONS:</b>				
Benefits paid	320,657	105,667	426,324	425,873
Administrative expenses	1,267	1,345	2,612	5,107
<b>TOTAL DEDUCTIONS</b>	<u>321,924</u>	<u>107,012</u>	<u>428,936</u>	<u>430,980</u>
<b>CHANGE IN NET POSITION</b>	754,019	1,084,256	1,838,275	1,163,904
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>4,996,448</u>	<u>5,749,251</u>	<u>10,745,699</u>	<u>9,581,795</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 5,750,467</u>	<u>\$ 6,833,507</u>	<u>\$12,583,974</u>	<u>\$10,745,699</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 POSITION**

*Last nine fiscal years ending December 31,*

*(Unaudited)*

*Accrual basis of accounting*

	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental Activities</b>									
Invested in capital assets, net of related debt	\$ 17,800,609	\$ 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	83,336	93,791	66,301	59,755	59,436	53,776	47,285	58,873	48,312
Restricted for public works	297,609	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	352,459	773,079	(714,297)	(475,766)	1,126,660	268,091	432,887	443,283	2,615,541
Total governmental activities net assets	<u>\$ 18,534,013</u>	<u>\$ 17,802,220</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>
<b>Business-type Activities</b>									
Invested in capital assets, net of related debt	\$ 25,581,921	\$ 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	236,335	1,036,547	162,953	848,290	-	-	-	-	-
Unrestricted	3,129,476	2,516,567	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>\$ 28,947,732</u>	<u>\$ 26,753,291</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>
<b>Primary Government</b>									
Net investment in capital assets	\$ 43,382,530	\$ 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	83,336	93,791	66,301	59,755	59,436	53,776	47,285	58,873	48,312
Restricted for public works	297,609	524,523	416,287	262,774	148,140	210,250	171,833	242,887	554,879
Restricted for capital projects	236,335	1,036,547	162,953	4,739,357	3,987,233	4,105,139	3,169,902	2,906,174	3,694,707
Unrestricted	3,481,935	3,289,646	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>\$ 47,481,745</u>	<u>\$ 44,555,511</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: 2003 information not available

Increase in net position is due to many factors within the Town that are explained in the MD & A.

Source: Town financial reports

**TOWN OF SMYRNA**  
**CHANGES IN NET POSITION**  
*Last nine fiscal years ending December 31,*  
*(Unaudited)*  
*Accrual basis of accounting*

	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>									
Governmental activities									
General government	\$ 819,583	\$ 979,679	\$ 639,478	\$ 991,556	\$ 541,804	\$ 759,203	\$ 857,943	\$ 1,484,176	\$ 1,646,354
Public safety	4,397,133	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	3,377,238	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	686,349	766,442	702,608	674,914	797,144	836,185	753,951	563,118	652,145
Library	339,695	292,287	245,271	290,558	272,447	283,318	381,555	364,013	211,177
Culture and recreation	276,295	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	568	-	-	1,592	-	6,895	50,106	-	-
Interest on long-term debt	114,348	215,866	143,016	147,638	96,271	-	-	-	-
Total governmental activities	10,011,209	9,421,626	8,770,069	8,723,743	8,111,209	7,702,874	7,213,932	7,078,128	6,624,716
Business-type activities									
Electric	11,797,301	12,668,683	12,695,759	11,505,781	11,429,814	10,582,868	9,778,074	8,304,862	5,009,218
Water/Sewer	2,950,516	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	14,747,817	15,547,787	15,613,773	14,193,691	14,172,872	13,082,815	11,913,764	10,389,983	6,625,948
<b>Total primary government expenses</b>	<b>\$ 24,759,026</b>	<b>\$ 24,969,413</b>	<b>\$ 24,383,842</b>	<b>\$ 22,917,434</b>	<b>\$ 22,284,081</b>	<b>\$ 20,785,689</b>	<b>\$ 19,127,696</b>	<b>\$ 17,468,111</b>	<b>\$ 13,250,664</b>
<b>Program Revenues</b>									
Governmental activities									
Charges for services									
General government	\$ 242,335	\$ 213,500	\$ 312,924	\$ 495,144	\$ 670,436	\$ 843,486	\$ 614,997	\$ 626,031	\$ 578,420
Public safety	151,054	118,042	95,411	98,743	140,480	104,268	129,169	140,784	96,920
Public works	1,163,188	1,138,606	1,065,489	943,340	890,563	981,985	751,504	573,988	590,672
Planning and inspection	474,028	323,075	389,704	507,841	564,419	657,992	531,552	446,085	523,549
Library	96,451	81,233	152,890	64,292	51,747	44,803	26,867	29,299	29,702
Operating grants and contributions	587,195	734,687	485,541	400,186	519,984	554,430	558,849	415,450	344,674
Capital grants and contributions	2,159,991	732,075	107,875	1,145,990	852,537	851,855	48,277	100,000	267,237
Total governmental activities	4,874,242	3,341,218	2,609,834	3,655,536	3,690,166	4,038,819	2,661,215	2,331,617	2,431,174
Business-type activities									
Charges for services									
Electric	13,518,689	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	3,252,812	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	11,932	21,365	-	-	-	-	-	-	-
Capital grants and contributions	2,784,485	1,618,655	600,108	1,657,139	1,404,042	2,267,173	1,245,688	230,715	-
Total business-type activities	19,567,918	18,985,040	17,885,188	17,927,287	17,655,586	17,527,146	16,585,521	12,516,635	10,396,090
Total primary government program revenues	\$ 24,442,160	\$ 22,326,258	\$ 20,495,022	\$ 21,582,823	\$ 21,345,752	\$ 21,565,965	\$ 19,246,736	\$ 14,848,252	\$ 12,827,264
<b>Net (Expense) Revenue</b>									
Governmental activities	\$ (5,136,967)	\$ (6,080,408)	\$ (6,160,235)	\$ (5,068,207)	\$ (4,421,043)	\$ (3,664,055)	\$ (4,552,717)	\$ (4,746,511)	\$ (4,193,542)
Business-type activities	4,820,101	3,437,253	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	\$ (316,866)	\$ (2,643,155)	\$ (3,888,820)	\$ (1,334,611)	\$ (938,329)	\$ 780,276	\$ 119,040	\$ (2,619,859)	\$ (423,400)

Note: 2003 information not available  
 Fluctuations in net position is 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 POSITION**  
*Last nine fiscal years ending December 31,*  
*(Unaudited)*  
*Accrual basis of accounting*  
*Cont'd*

	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Revenues and Other Changes in Net Position</b>									
Governmental activities									
Real estate taxes	\$ 2,347,762	\$ 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	512,265	361,336	561,542	669,914	1,051,590	962,133	1,534,963	1,564,109	1,492,214
Franchise fees	193,997	146,203	143,993	132,249	125,903	116,123	105,001	98,004	93,591
Investment earnings	14,490	5,827	11,037	56,471	196,127	303,640	222,231	83,072	48,845
Miscellaneous income	174,438	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	2,625,808	2,086,721	1,281,763	1,257,277	2,228,153	2,474,694	1,628,923	-	4,653,169
Total governmental activities	5,868,760	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	148	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	(2,625,808)	(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	(2,625,660)	(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	\$ 3,243,100	\$ 2,646,487	\$ 2,984,719	\$ 2,960,433	\$ 3,894,772	\$ 2,626,921	\$ 3,011,475	\$ 2,936,231	\$ 2,634,481
<b>Change in Net Position</b>									
Governmental activities	\$ 731,793	\$ (1,347,340)	\$ (1,893,874)	\$ (850,976)	\$ 1,699,486	\$ 1,435,755	\$ 78,895	\$ (1,918,044)	\$ 3,046,593
Business-type activities	2,194,441	1,350,672	989,773	2,476,798	1,256,957	1,971,442	3,051,620	2,234,416	(835,512)
Total primary government	\$ 2,926,234	\$ 3,332	\$ (904,101)	\$ 1,625,822	\$ 2,956,443	\$ 3,407,197	\$ 3,130,515	\$ 316,372	\$ 2,211,081

Note: 2003 information not available  
Fluctuations in net position is 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*

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>General Fund</b>										
Nonspendable	\$ 83,944	\$ 82,451	\$ 25,781	\$ -	\$ -	\$ 45,080	\$ 45,080	\$ 45,080	\$ 45,080	\$ 45,080
Unassigned	506,330	727,425	641,742	444,959	322,647	518,895	842,635	727,909	2,982,631	753,438
Total general fund	<u>\$ 590,274</u>	<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>
<b>All Other Governmental Funds</b>										
Committed	\$ 2,927,248	\$ 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
Restricted	380,945	618,314	482,588	322,529	207,576	264,026	219,118	301,760	603,191	-
Total all other governmental funds	<u>\$ 3,308,193</u>	<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>
Total governmental fund balances	<u>\$ 3,898,467</u>	<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>

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*

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Property taxes	\$ 2,342,060	\$ 2,024,737	\$ 2,128,117	\$ 1,900,363	\$ 1,743,747	\$ 1,138,746	\$ 1,157,148	\$ 933,914	\$ 805,169	\$ 709,448
Transfer taxes	512,265	361,336	561,542	669,914	1,051,590	962,133	1,534,963	1,564,109	1,492,214	694,632
Special assessment/impact fees	207,348	182,977	286,527	470,676	624,061	843,486	614,997	573,968	590,672	881,914
Charges for services	1,236,859	1,183,416	1,091,512	1,070,184	945,717	929,401	774,234	678,678	566,667	586,421
Intergovernmental	873,207	819,827	716,691	1,547,005	840,427	621,854	648,458	503,830	470,028	223,926
Licenses, fees and permits	336,364	269,741	377,760	421,777	564,434	656,911	528,649	446,085	527,287	1,050,762
Fines and forfeits	214,892	130,298	87,287	62,553	85,312	76,161	86,770	86,096	82,435	95,886
Rentals	-	-	-	-	-	-	-	-	22,500	60,000
Franchise fees	193,997	146,203	143,993	132,249	125,903	116,124	105,001	98,004	93,590	98,579
Investment income	14,490	5,827	11,037	56,471	196,127	303,640	222,231	83,072	48,845	60,626
Miscellaneous	276,449	185,096	243,616	183,538	84,212	108,219	47,160	38,050	28,839	6,990
Total revenues	<u>6,207,931</u>	<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>
<b>Expenditures</b>										
General government	616,650	747,625	545,586	609,219	717,819	569,885	792,141	1,624,741	1,483,809	1,182,448
Public safety	3,698,123	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
Public works	2,393,101	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
Planning and inspection	633,328	730,730	695,978	631,693	790,029	838,069	743,044	559,968	500,380	368,277
Library	305,978	264,527	234,277	261,747	256,168	212,443	233,489	214,588	181,162	153,736
Culture and recreation	240,646	176,990	313,789	276,030	351,120	306,941	256,940	288,112	206,747	77,653
Business park	-	10,360	11,155	11,370	13,325	12,805	221,936	42,994	-	-
Neighborhood housing rehabilitation	568	-	-	1,592	-	6,895	50,106	-	-	-
Debt service:										
Principal	122,550	18,640	111,549	106,904	58,921	-	-	-	-	-
Interest	114,214	88,146	143,232	147,877	89,851	-	-	-	-	-
Bond issuance costs	-	66,515	-	-	-	-	-	-	-	-
Capital outlays	416,257	80,925	303,907	4,047,151	1,929,437	592,002	135,866	1,356,635	1,526,497	2,096,175
Total expenditures	<u>8,541,415</u>	<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>
Excess of revenues over (under) expenditures	<u>(2,333,484)</u>	<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>
<b>Other Financing Sources (Uses)</b>										
Proceeds from sale of capital assets	-	-	-	-	624,367	2,710	3,382	12,551	93,560	268,830
Loan proceeds	-	-	-	-	3,356,000	-	-	-	-	-
Bond issuance	-	3,275,000	-	-	-	-	-	-	-	-
Bond discount	-	(46,993)	-	-	-	-	-	-	-	-
Prepayment of note	-	(3,059,986)	-	-	-	-	-	-	-	-
Refund of prior year expenditures	-	-	-	22,399	46,375	-	-	-	-	-
Transfers in	3,042,322	2,498,977	2,414,739	2,378,177	3,575,558	2,812,575	1,684,600	506,885	5,754,847	-
Transfers out	(416,514)	(412,256)	(1,132,976)	(1,120,900)	(1,347,405)	(337,881)	(55,677)	(506,885)	(1,101,678)	-
Total other financing sources (uses)	<u>2,625,808</u>	<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>
Net change in fund balances	<u>\$ 292,324</u>	<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>
Debt service as a percentage of noncapital expenditures	3%	1%	3%	4%	2%	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>
2012	\$ 2,342,060	\$ 512,265	\$ 2,854,325
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

## Notes

1) Property tax, tax rate of .2900 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
2012	\$ 984,644,010	\$ 131,844,907	\$ 852,799,103	\$ 0.29000	*
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	*

\* = Information is not available

2003 Total taxable assessed value has been estimated since data was unavailable

Reassessment took place in 2006.

\* Property in the Town is not assessed annually; therefore, the estimated actual value is not available.

Source: Town of Smyrna Assessment Office

**TOWN OF SMYRNA**  
**PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (Per \$100 of Assessed Value)**  
*Last ten fiscal years ending December 31,*  
*Unaudited*

Fiscal Year	Town of Smyrna	Overlapping Governments			Total Direct & Overlapping Rates
		Kent County	New Castle County	Smyrna School District	
2012	0.29000	0.30000	0.70060	1.01190	2.30250
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

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	2012			2003		
	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	47,711,380	2	5.89%	*	*	*
Worthington Properties, LLC	22,388,200	3	2.77%	*	*	*
Smyrna Professional Properties	18,255,300	4	2.25%	*	*	*
Smyrna Two LLC	14,487,500	5	1.79%	*	*	*
Glenwood Associates, LLC	11,725,300	6	1.45%	*	*	*
Brenford holdings, LLC	10,019,060	7	1.24%	*	*	*
Capson of Brandywine, LLC	7,578,300	8	0.94%	*	*	*
KRM Developemnt Corp	7,569,200	9	0.93%	*	*	*
Goldsbrough Red Dev LLC	7,023,790	10	0.87%	*	*	*
<b>Total</b>	<b>\$ 196,441,130</b>		<b>24.26%</b>			

Source: Town of Smyrna Assessment Office

\* Information is not available.

**TOWN OF SMYRNA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last ten fiscal years ending December 31,*  
*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>
2012	\$ 2,473,524	\$ 2,356,151	95.25%	\$ 18,239	\$ 2,374,390	95.99%
2011	2,281,117	2,052,853	89.99%	91,317	2,144,170	94.00%
2010	2,099,314	1,972,389	93.95%	91,384	2,063,773	98.31%
2009	2,045,244	1,900,363	92.92%	173,578	2,073,941	101.40%
2008	1,816,578	1,794,528	98.79%	79,039	1,873,567	103.14%
2007	1,141,662	1,134,189	99.35%	36,498	1,170,687	102.54%
2006	1,126,692	1,121,580	99.55%	15,516	1,137,096	100.92%
2005	1,022,168	933,914	91.37%	5,471	939,385	91.90%
2004	864,081	805,169	93.15%	3,363	808,532	93.57%
2003	863,394	709,448	82.17%	2,100	711,548	82.41%

(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			
2012	\$ -	\$ 3,152,450	\$ 6,913,276	\$ 4,277,550	\$ -	-	\$ 14,343,276	0.26%	1,318
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%	1,045
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

(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>
2012	\$ 3,152,450	\$ -	0.37%	\$ 293
2011	3,275,000	-	0.00%	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%	-

(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, 2012*  
*Unaudited*

	General Obligation Debt Outstanding	Estimated Percentage Applicable to Town of Smyrna	Estimated Share of Overlapping Debt
Direct Debt			
Bonds Payable	\$ 3,152,450	100.00%	\$ 3,152,450
Total direct debt	3,152,450		3,152,450
Overlapping debt (1)			
Kent County (2)	5,222,372	0.62%	32,475
New Castle County	181,227,132	5.80%	10,511,174
Smyrna School District	25,054,923	88.19%	22,096,656
Total overlapping debt	211,504,427		32,640,305
Total direct and overlapping debt	\$ 214,656,877		\$ 35,792,755

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	\$ 38,376	\$ 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>14,343</u>	<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>\$ 24,033</u>	<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	37.38%	35.70%	29.94%	28.48%	33.45%	26.26%	23.40%	24.63%	13.78%	0.60%
Total taxable assessment	\$ 852,799									
Debt limit percentage (1)	<u>4.50%</u>									
Debt limit	38,376									
Outstanding debt	<u>14,343</u>									
Legal debt margin	<u>\$ 24,033</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	2012			2003		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Bayhealth - Kent General & Milford - Dover, Milford	2,860	1	33.43%	*	*	*
Dover Downs, Inc. - Dover	1,457	2	17.03%			
Capital School District - Dover	1,000	3	11.69%	*	*	*
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	7.60%	*	*	*
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	98	10	1.15%	*	*	*
<b>Total</b>	<b>8,557</b>		<b>100.02%</b>	<b>*</b>		<b>*</b>

\* 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*

Fiscal Year	Population of Town (1)	Personal Income - Kent County (2)	Per Capita Personal Income - Kent County (2)	Unemployment Rate - Kent County (3)	School Enrollment (4)
2012	10,774	\$ 5,489,241,000	\$ 33,302	7.30%	5116
2011	10,228	4,910,076,000	33,302	7.20%	4981
2010	11,463	4,910,076,000	31,127	8.10%	4853
2009	11,040	4,910,076,000	31,127	7.90%	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

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 2011 personal income and per capita personal income information for both 2012 and 2011, 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	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government - Administration	14.00	14.00	14.00	14.00	15.00	14.00	13.00	16.00	14.00	11.00
Public Safety - Police	30.00	29.00	29.00	29.00	29.00	29.00	27.00	27.00	28.00	24.00
Public Works	13.00	12.00	11.00	11.00	14.00	12.00	11.00	10.00	9.00	7.00
Planning and Inspection	6.00	7.00	7.00	7.00	7.00	6.00	6.00	5.00	6.00	6.00
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	1.00	3.00	3.00	2.00	2.00	2.00	1.00	1.00
<b>General Fund Total</b>	<u>66.00</u>	<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>
Public Utilities	8.00	8.00	9.00	9.00	9.00	9.00	8.00	9.00	7.00	7.00
<b>Electric Fund Total</b>	<u>8.00</u>	<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>
Public Utilities	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	4.00	4.00
<b>Water and Sewer Fund Total</b>	<u>4.00</u>	<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>
<b>Total Staff</b>	<u>78.00</u>	<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>

Source: Town Financial Records

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

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Public Safety</b>										
Calls for service	21,079	21,383	16,952	20,087	22,099	22,755	20,270	19,405	16,025	16,509
Criminal arrests	523	1,572	2,318	1,700	1,788	1,545	1,449	1,543	1,305	1,200
DUI arrests	110	96	*	*	*	*	*	*	*	*
Traffic warnings	2,433	2,503	*	*	*	*	*	*	*	*
Traffic arrests	4,240	3,084	3,084	3,286	4,955	3,237	2,751	2,130	2,555	2,762
<b>Planning and Inspection</b>										
Total fees collected for construction (1)	695,521	490,514	1,018,701	1,377,629	1,766,180	2,402,583	1,439,840	1,462,018	*	*
Construction inspections (2)	728	703	1,156	1,469	1,751	1,861	1,741	2,293	*	*
Building permits issued	324	341	497	582	610	581	589	687	*	*
<b>Smyrna Public Library</b>										
Number of registered borrowers	8,303	7,617	17,832	9,376	9,376	7,335	14,525	11,231	7,878	7,072
Attendance per year	89,411	82,987	81,722	82,127	78,895	69,731	61,071	53,187	50,996	33,018
Actual circulation	90,148	73,823	66,111	58,934	38,415	38,468	47,474	32,165	30,299	24,539
Number of books	23,751	21,566	26,254	22,149	20,246	22,132	22,838	21,486	17,000	16,000
<b>Water</b>										
Gallons billed	269,930,000	288,823,000	321,210,219	283,572,474	273,431,231	256,052,000	264,147,000	229,941,000	*	234,571,000
Connections	4,305	3,789	3,789	3,789	3,789	3,789	3,789	3,500	*	3,731
<b>Electric</b>										
Usage (kwh)	99,707,000	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

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



INDEPENDENT AUDITOR'S 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 15, 2013

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, 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, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Smyrna (the "Town"), and have issued our report thereon dated May 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Smyrna's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

  
BARBACANE, THORNTON & COMPANY LLP

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

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May 15, 2013

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Smyrna's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Smyrna's major federal program for the year ended December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Smyrna's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Smyrna's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Town's major federal program. However, our audit does not provide a legal determination of the Town of Smyrna's compliance.

To the Honorable Mayor and Town Council  
Town of Smyrna

Basis for Qualified Opinion on CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds

As described in the accompanying schedule of findings and recommendations, the Town of Smyrna did not comply with the requirement regarding CFDA 66.458, Capitalization Grants for Clean Water State Revolving Funds, as described in Finding No. 12-01 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the Town of Smyrna to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town of Smyrna complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 66.458, Capitalization Grants for Clean Water State Revolving Funds for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Town of Smyrna is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Smyrna's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Town Council  
Town of Smyrna

Town of Smyrna's Response to Findings

The Town of Smyrna's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The Town of Smyrna's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

**SCHEDULE OF  
FINDINGS AND RECOMMENDATIONS**

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse or disclaimer*]:

Unmodified

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 auditor's report issued on compliance for major programs [*unmodified, qualified, adverse or disclaimer*]:

Qualified

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)  
66.458

Name of Federal Program or Cluster  
Capitalization Grants for Clean 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 (cont'd)

**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

**12-1** Condition (CFDA No. 66.458 - Capitalization Grants for Clean Water State Revolving Funds)

Neither the Town nor its project manager obtained evidence that the contractors used for federal program expenditures were not on the suspended or debarred list.

Criteria

Entity-wide requirements for nonprocurement suspension and debarment are contained in the OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria.

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (cont'd)

Effects

Due to the noncompliance, the funds expended costs may have to be refunded if the contractor is found to be disbarred or suspended.

Cause

Management was unaware of the requirement to determine contractor compliance and relied on a third party for monitoring contractor compliance.

Recommendation

We recommend that the Town designate an individual and develop procedures to oversee the procurement of contracts under federal programs. The procedures should include the Town's verification of the vendor by verifying that the contractor is not disbarred or suspended according to the Excluded Parties List System (EPLS) during the bid process and prior to the awarding of the bid by the Town Council. This will help to insure that the Town uses only those vendors that are eligible to participate in federal programs.

Corrective Action Plan

The compliance finding was reviewed and discussed with the firm responsible for managing bid and awarding of contracts and adherence to all compliance requirements. This was an oversight on their part. As such, they have retroactively checked each contractor used for federally-funded projects, and none were on the suspended or debarred list. For all future projects, this will be a requirement to be completed in the bid phase. The management of the Town of Smyrna will monitor to ensure compliance.

**TOWN OF SMYRNA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 01/01/2012	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 12/31/2012
U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities	D	10.760	N/A	01/01/12-12/31/12	\$ 1,190,000	\$ -	\$ -	\$ 200,212	\$ 200,212	\$ 200,212
U.S. Department of Justice Office of Community Oriented Policing Services Public Safety Partnership and Community Policing Grants	D	16.710	N/A	07/01/09-06/30/12	238,772	52,840	16,165	73,411	73,411	36,736
U.S. Environmental Protection Agency Passed through Delaware Dept of Natural Resources and Environmental Control Capitalization Grants for Clean Water State Revolving Funds	I	66.458	DNREC	01/01/12-12/31/12	5,975,000	528,716	-	751,855	751,855	223,139
Passed through Delaware Dept of Health and Social Services Capitalization Grants for Drinking Water State Revolving Funds*	I	66.468	DHSS	01/01/10-12/31/10	3,768,000	169,242	169,242	-	-	-
Capitalization Grants for Drinking Water State Revolving Funds Total CFDA # 66.468	I	66.468	3012CS	01/01/12-12/31/12	925,020 4,693,020	- 169,242	- 169,242	37,958 37,958	37,958 37,958	37,958 37,958
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY					10,668,020	697,958	169,242	789,813	789,813	261,097
U.S. Department of Homeland Security Passed through Delaware Emergency Management Agency Disaster Grants - Public Assistance	I	97.036	FEMA-3336-EM-DE	08/28/11-2/28/12	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	-	-	-
Disaster Grants - Public Assistance Total CFDA #97.036	I	97.036	FEMA-3336-EM-DE	01/01/12-12/31/12	1,079 23,996	1,079 23,996	- 22,917	1,079 1,079	1,079 1,079	- -
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY					23,996	23,996	22,917	1,079	1,079	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 12,120,788	\$ 774,794	\$ 208,324	\$ 1,064,515	\$ 1,064,515	\$ 498,045

Source Codes

- I - Indirect Funding
- D - Direct Funding

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.

