



TOWN of
Smyrna
DELAWARE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2015

Prepared by:

Gary F. Stulir, Manager of Accounting & Business Services

Business Office Staff

INTRODUCTORY SECTION



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Town of Smyrna

DAVID S. HUGG III, TOWN MANAGER

June 10, 2016

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

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (“CAFR”) for the Town of Smyrna. This report is for the fiscal year ended December 31, 2015 and is published to comply with the provisions of Section 8.4 of the Town Code. The CAFR 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 it 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, 2015. The independent auditor’s report is located at the front of the financial section of this report.

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

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

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

Profile of the Town

This CAFR includes all funds of the Town, consistent with the guidance contained in GASB 14, "The Financial Reporting Entity," as amended by GASB 39 and GASB 61, "The Financial Reporting Entity: Omnibus," which 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 by the Town to evaluate whether additional entities should be included in the Town's reporting entity as component units 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.

According to early history, Smyrna was first settled prior to the American Revolution on the southern bank of Duck Creek, near the fork of Green's Branch. In 1716, this tiny village was first named Salisbury. It was, however, also known to its inhabitants as Duck Creek. Duck Creek soon became a thriving community of merchant vessels. Along with shipping grain, lumber, peaches, and eventually fertilizer, shipbuilding became a prominent business. Two major thoroughfares formed what were known as Duck Creek Crossroads and later came to be called the Four Corners of the Town. In 1806, the Delaware Assembly changed the name of the town to Smyrna. The original boundaries were one-fourth of a mile in each direction, making the Town equivalent to one square mile, a size it maintained until 1960 when newly developing areas were annexed into the Town.

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

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

educational system make it highly desirable for families and homeowners. Smyrna was recently named in the top 100 best places to retire and was listed in This Old House's 2009 Best Old-House Neighborhoods. The Office of State Planning listed Smyrna as having the largest number of residential building permits of any municipality in the 2008 and 2009 years. Delaware Today magazine in the March 2016 issue named Smyrna as one of the 10 great small towns in Delaware. Following the 2010 census, the Town is now at the geographic center of the State's population.

The Town currently occupies a land area of five square miles and serves a population of approximately 11,197 as of December 2015. The official census count as of April 2010 places the Town's population at 10,023. This is a 76 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. Recent demographic data shows growth in both young families and in residents ages 55 and up, increasing personal incomes, and a consistently high home ownership rate.

The Town's governing body is composed of a Mayor and six Council members. Three council members are elected from designated districts and serve staggered, three year terms. Three members of Council and the Mayor are elected at-large. The Mayor serves a two-year term; the other three of the at-large elected members serve three-year terms. The Council is responsible for all matters of policy and is the authority for levying taxes, securing revenues, authorizing expenditures of Town funds, and incurring Town debts. The Town of Smyrna operates under a Council-Manager form of government 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 supply and wastewater services, legislative services, and general administration. The Town employs approximately 97 full-time and part-time employees.

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 (whose new facility was dedicated in March 2013) 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 costs. These payments are part of the General

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

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 Town is also served by a recently opened 24-hour Emergency Department and other services operated by Bayhealth Medical Center, as well as medical services provided by Christiana Care Medical Center and numerous medical practitioners in the Smyrna Health and Wellness center.

The Smyrna School District does not meet the established criteria for inclusion in the reporting entity and, accordingly, is excluded from this report. The District also receives dedicated “impact fees” to help accommodate school needs that are a function of growth in the community.

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 operational management of the Town’s staff. The Business Office handles utility and tax billing, computer systems management, personnel, 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 29 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 a 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 and 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.

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

The Smyrna Public Library, the oldest library in Kent County, which was first established in 1858 and recently celebrated its 155th 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 businesses, leading to employment opportunities. Through the Town's Economic Development Committee and Economic Development Consultant, the Town has an aggressive program to retain and recruit businesses.

Major employers located within the Town's boundaries include Delaware Home and Hospital for the Chronically Ill, Wal-Mart Distribution Center, Smyrna School District, Delaware Health and Social Services, Bayhealth Medical Center, services affiliated with Christiana Care Medical System, 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 serving many of the shopping, service, recreational, medical, and other needs of this growing community.

During fiscal year 2015, a total of 22 new businesses were approved. Included in the new businesses are a wide variety of professional and general offices, retail stores offering personal services, food and entertainment, healthcare and beauty supplies, clothing, and auto services.

The current unemployment rate within Kent County was reported at 4.6 percent, as compared to 4.0 percent in the prior year, and is slightly lower than the State's unemployment rate of 4.9 percent.

While new construction continued during the fiscal year, construction fees received decreased by approximately less than one percent from the prior year. The Town issued approximately 389 building permits with a construction value of \$24.0 million.

Construction is in progress for several new residential subdivisions, and new subdivisions have been approved to be built. In the near future, Town officials also eagerly anticipate several new residential developments north of Duck Creek into the New Castle County side of Town. A 200+ acre privately-owned business park is under development north of Duck Creek, as are plans for a number of expanded or new businesses as water and sewer become available in the area.

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

Smyrna is getting noticed. We have seen an uptick in economic development activities, media attention, and tourism. We believe these reflect the Town's deliberate and collaborative business development efforts, supported by sound fiscal policies and continued infrastructure investments. According to a recent Wilmington News Journal article, some claim Smyrna is becoming "cool" as a result of growth in the food, beverage, and entertainment sectors.

Favorable media attention has added to this "buzz" that is reflected in new businesses such as the Inn at Duck Creek (an upscale restaurant opened just before New Year's Day); the Painted Stave Distillery, which just celebrated its second anniversary; the Blue Earl Brewery, which just celebrated its first anniversary; initiation of construction of a new tractor supply farm and home center; and a number of other retail, medical/professional, and service businesses.

Coming soon are a new grocer (Lidl USA - one of their first USA-based stores), a brew pub, a Texas-style BBQ restaurant, new apartments, and the first phase of construction at the Smyrna Business Campus (a 200-acre privately-developed business park) in the northern part of the Town. These projects, coupled with strong residential development, foresee a vibrant and growing local economy.

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 is currently overseeing two significant capital projects related to the wastewater and water infrastructure projects. Funding for these projects will be derived primarily from federal and state funding through a combination of grants and low-interest loans.

Significant operating costs that will have a long-term impact on the Town are its personnel, healthcare, and post-employment benefits. Personnel and healthcare costs pose as a major challenge for the Town as a result of the rising healthcare costs and overall increase in the costs of living for the country as a whole.

Post-employment benefits costs continue to have a significant impact on the Town's financial condition. GASB Statement No. 45 requires that governments disclose the actuarial valuation of its post-employment benefits. Governments are not required to fund this liability or make a contribution. However, the GASB standard requires that the government disclose these amounts in its financial statements. According to the GASB, governments may choose to advance fund their OPEB liability with an OPEB annual contribution.

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

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.

The Town's implementation of GASB Statement No.68 became effective in 2015. The statement requires the Town to record and report the net pension liability for its pension plans in the financial statements. The net pension liability is the difference between the total pension liability and the investment assets in its pension plans available for active and inactive members of these plans. Contribution to these plans by the Town and its employees are based on actuarially determined contributions.

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 recently completed water, sewer, street and electric improvements in the “four corners” portion of Commerce Street. This initiative improved utilities and the commercial vitality of two more blocks of the historic downtown area. Two underutilized historic buildings at the “four corners” are undergoing extensive renovations to support a bakery, a recently opened fine dining establishment, and upscale downtown apartments. The State’s first stand-alone micro-distillery opened in 2014 in a renovated historic building downtown as well.

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, upgrades of a number of lift stations, and sewer extensions north of Duck Creek. In 2013, the Town was approved 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. Both projects were substantially underway by the end of 2013 and should be online in mid 2016. The Town was just approved for two water system planning grants from the State Division of Public Health to undertake an analysis of replacement and upgrade requirements in the future, and preparation of a source water protection plan for the water supply at Well No. 3.

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

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 addressed 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 community in Delaware to be both awarded and complete a water project under the “stimulus” program. These projects were completed in 2011 and 2013.

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 - 25 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 to be located in the middle of historic downtown. 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 was recently completed through the University of Delaware’s Institute for Public Policy to address long-term operation, maintenance, and management. Preliminary architectural and site design efforts are underway; one of two smaller parcels desired for the site has been acquired, and negotiations are underway for the remaining parcel. Additionally, the Town worked in collaboration with another citizen’s based “Friends” group to preserve and promote the historically significant Belmont Hall building and site. This previously underutilized asset is now open for public use and hosts numerous educational, cultural, and other events.

During 2013, 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 received USDA funding to construct this critically needed public safety improvement, which began in 2014. Construction of this facility is expected to be completed by June 2016.

In 2014, Town Council reauthorized the Smyrna Slum Clearance and Redevelopment Authority (“RDA”) to address deteriorated areas, provide funding to property owners for façade improvements, and secure sources of funding for financial assistance to business prospects. A grant request was approved by the USDA for a Rural Development grant (“RDLEG program”) to finance a revolving loan program for

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

business reinvestment. This is the first such grant awarded in the State of Delaware. The funds supported a \$300,000 10-year loan for downtown revitalization that is already being repaid. Additionally, the Town has received funding in each of the last two years under the Rural Business Enterprise Grant (“RBEGr program”) to support further development of marketing strategies for the community.

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 Economic Development Committee and with professional economic development consulting services, the Town adopted an Economic Development Strategy Plan and is actively implementing business retention and recruitment programs to enhance the Town’s economy and viability.

Accounting System and Budgetary Control

All governmental funds utilize the modified accrual basis of accounting with revenue being recorded when susceptible to accrual, both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on general long-term debt, which is recognized when due. Financial statements for the proprietary funds 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 costs 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 budgets are the approved spending plan for the fiscal year and are revised as necessary, in compliance with the requirements of the Town Code. Legal budgetary control is maintained at the department level under the direction of the Town Manager.

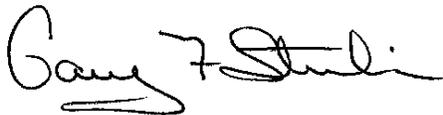
To The Honorable Mayor, Members of Council and Citizens of the
Town of Smyrna

Awards and Acknowledgements

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 (“CAFR”) for the fiscal year ended December 31, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable requirements. This is the sixth time Smyrna has been recognized by the GFOA.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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 seventh time the Town has prepared such a report and demonstrates a commitment to continued excellence in financial reporting. The preparation of the CAFR was made possible by the dedicated service of the Business Office. They have our sincere appreciation for the contributions made in the preparation of this report, as well as all additional individuals who assisted in this effort. Appreciation is also expressed to the Town Manager and the Town Council for their cooperation and outstanding assistance in matters pertaining to the financial affairs of the Town.



Gary F. Stulir
Manager of Accounting & Business Services



David S. Hugg, III
Town Manager



Government Finance Officers Association

**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, 2014

Executive Director/CEO

TOWN OF SMYRNA

List of Elected and Appointed Officials

December 31, 2015

Elected Officials

Joanne Masten
Regina Brown
Anthony DeFeo
Valerie M. White
Robert C. Johnson
John Embert
Andrea Rodriguez

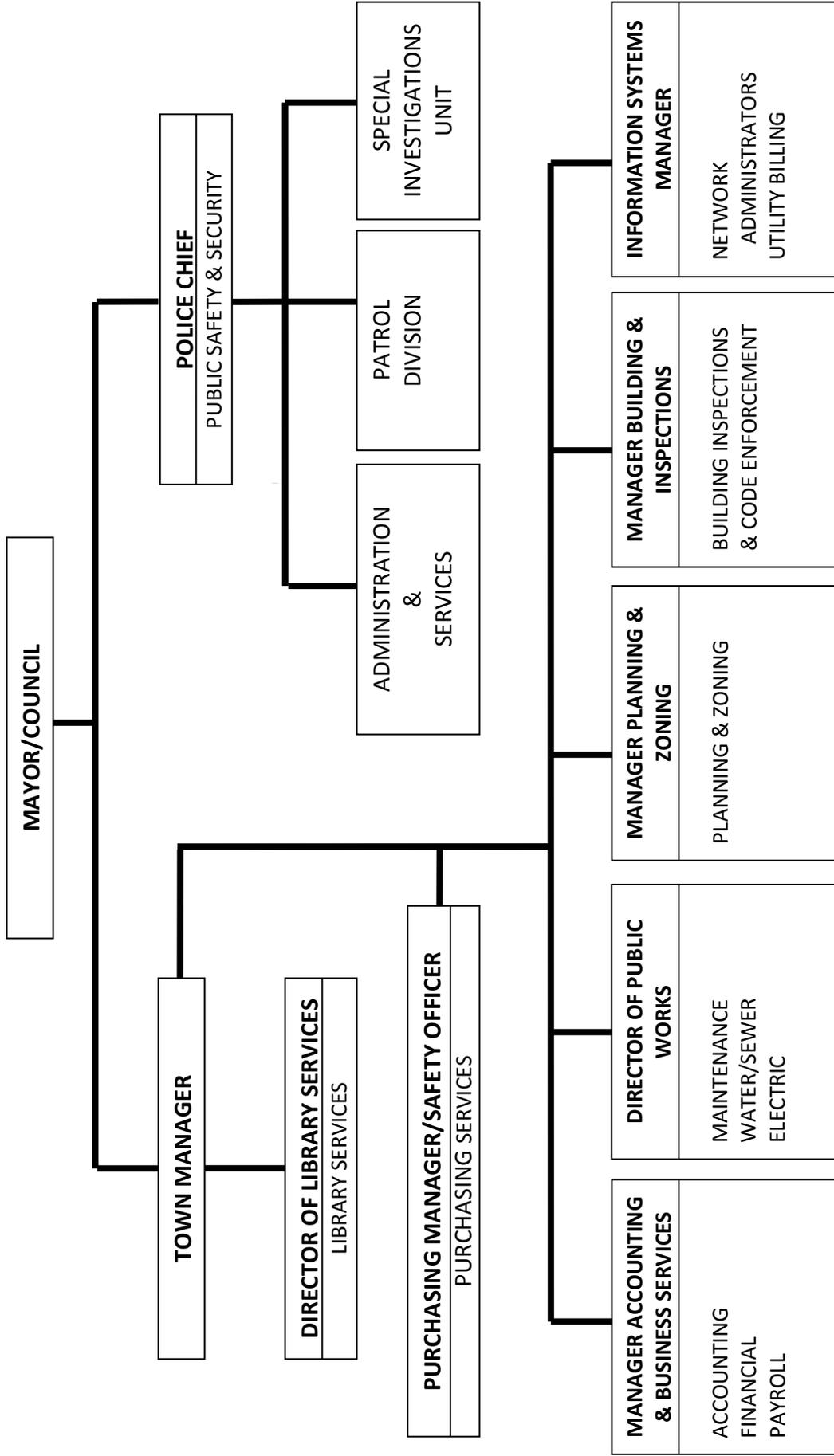
Mayor
Vice Mayor – District 1
Council Member – District 2
Council Member – District 3
Council Member – District At-Large
Council Member – District At-Large
Council Secretary – District At-Large

Appointed Officials

David S. Hugg, III
Norman Wood
John T. Jaywork

Town Manager
Police Chief
Attorney

TOWN OF SMYRNA ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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June 10, 2016

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

Report on the 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, 2015, 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 from material misstatement.

An audit involves performing procedures to obtain audit 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 Town'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 Town'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.

To the Honorable Mayor and Town Council
Town of Smyrna

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

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, 2015, and the respective changes in 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 2014 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 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Notes 1 and 20 to the financial statements, in 2015 the Town adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the Town's pensions. As a result, the beginning governmental activities and business-type activities net position have been restated. Our opinion is not modified with respect to this matter.

In addition, as discussed in Note 20, the Town corrected an error discovered in relation to recording grants receivable in the Capital Improvement Fund. As a result, the beginning fund balance of the Capital Improvement Fund has been restated to correct the error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 31; the schedule of changes in the Town's net pension liability, related ratios, and investment returns - pension funds; schedule of employer contributions - pension funds; schedule of funding progress - post-employment healthcare benefits; schedule of annual employer cost - post-employment healthcare benefits; and the notes to the required supplementary information on pages 88 through 92 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

To the Honorable Mayor and Town Council
Town of Smyrna

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's basic financial statements. The introductory section, combining nonmajor governmental fund financial statements, combining fiduciary fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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 basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016 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, and 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 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, 2015**

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, 2015. 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 60 percent of total revenues, and program revenues accounted for 40 percent of total revenues (prior year, 65 percent and 35 percent, respectively). Total revenues increased primarily due to the estimated value of developer infrastructure contributions in 2015, an increase in property taxes, and transfer taxes. These revenues increased due to infrastructure turned over to the Town from developers, an increase in property tax rates, and an increase in the sale of real estate.
- In the governmental activities, current total expenses increased from \$10,665,883 in 2014 to \$11,024,929 in 2015. This represents a three percent increase. The increase was primarily due to pension costs and other post-employment healthcare costs.
- Total revenues in the Town's General Fund increased from \$6,602,882 in 2014 to \$7,032,435 in 2015. This represents approximately a seven percent increase. The increase is primarily attributed to an increase in property tax revenues and transfer taxes brought about by increases in property tax rates and sale of real estate.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,282,314, which is a decrease from the prior year balance of \$3,623,866. This decrease is primarily due to the methodology utilized to allocate indirect expenditures to the proprietary funds, which was implemented in 2015.
- As of the end of the current fiscal year, the Town's business-type activities reported a net position of \$30,894,025, an increase of \$2,025,091 as compared to the prior year. The current year increase in net position can be attributed primarily to the estimated value of developer infrastructure contributions in 2015, an increase in electrical service revenues due to an increase in consumption brought about by an increase in demand and customer base, and an increase in user fee rates for water and wastewater services provided by the Town.
- The Town implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," which generally requires state and local governments whose employees are provided with defined benefit pensions to account for and report the annual pension cost and obligations. The Town reported a net pension liability totaling \$4,705,428 and \$3,254,321 at December 31, 2015 and December 31, 2014, respectively.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2015**

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.

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 deferred outflows of resources, and liabilities and deferred inflows of resources, 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, planning and inspection, library, 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, electric distribution operation, and slum clearance and economic development projects. 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 wastewater into its respective facilities under an operating contract.

The entity-wide financial statements can be found on pages 32 and 33 of this report.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2015**

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.

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 Improvement Fund, 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 34 to 38 of this report.

Proprietary Funds: The Town maintains three different types of Proprietary Funds: the Water and Sewer Fund, Electric Fund, and the Smyrna Slum Clearance and Redevelopment Authority ("RDA"). 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, electric distribution operations and the redevelopment projects of the Town.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2015**

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 operations and for the electric distribution operation, both of which are considered to be major funds of the Town. The RDA is considered a nonmajor fund.

The basic Proprietary Fund financial statements can be found on pages 39 to 41 of this report.

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

The basic Fiduciary Fund financial statements can be found on pages 42 and 43 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 44 to 87 of this report.

Other Information. The combining statements referred to earlier in connection with the Nonmajor Governmental Funds are presented immediately following the footnotes. Combining and individual fund statements and schedules can be found on pages 93 to 96 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 \$40,720,804 at the close of the most recent calendar year. The table below summarizes the net position of the Town at December 31, 2015 and 2014.

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets						
Current and other assets	\$ 5,120,111	\$ 5,581,257	\$ 5,244,639	\$ 5,398,261	\$10,364,750	\$10,979,518
Capital assets	<u>23,973,489</u>	<u>20,707,368</u>	<u>43,422,038</u>	<u>41,597,256</u>	<u>67,395,527</u>	<u>62,304,624</u>
Total Assets	<u>29,093,600</u>	<u>26,288,625</u>	<u>48,666,677</u>	<u>46,995,517</u>	<u>77,760,277</u>	<u>73,284,142</u>
Deferred Outflows of Resources						
	<u>766,845</u>	<u>-</u>	<u>309,402</u>	<u>-</u>	<u>1,076,247</u>	<u>-</u>

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2015**

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<i>(cont'd)</i>						
Liabilities:						
Long-term liabilities	14,649,605	12,407,578	14,349,383	13,037,046	28,998,988	25,444,624
Other liabilities	5,348,109	2,806,447	3,700,595	5,089,537	9,048,704	7,895,984
Total Liabilities	<u>19,997,714</u>	<u>15,214,025</u>	<u>18,049,978</u>	<u>18,126,583</u>	<u>38,047,692</u>	<u>33,340,608</u>
Deferred Inflows of Resources						
	35,952	-	32,076	-	68,028	-
Net Position:						
Net investment in capital assets	17,185,456	16,511,140	28,770,048	27,280,269	45,955,504	43,791,409
Unrestricted (deficit)	(7,506,315)	(5,598,175)	1,226,816	178,726	(6,279,499)	(5,419,449)
Restricted	147,638	161,635	897,161	1,409,939	1,044,799	1,571,574
TOTAL NET POSITION	<u>\$ 9,826,779</u>	<u>\$11,074,600</u>	<u>\$30,894,025</u>	<u>\$28,868,934</u>	<u>\$40,720,804</u>	<u>\$39,943,534</u>

By far, the largest portion of the Town's net position 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 (three percent) represents resources that are subject to restrictions on how they may be used.

The Town's net position increased by \$777,270 during the current year.

Governmental Activities. Governmental activities decreased the Town's net position by \$1,247,821. The reduction in net position is less in 2015 than in 2014 mostly due to the estimated value of developer infrastructure contributions in 2015, increase in property tax revenues due to an increase in tax rates, and an increase in transfer taxes due to increased real estate sales.

Business-type Activities. Business-type activities increased the Town's net position by \$2,025,091. The current year increase in net position can be attributed primarily to the estimated value of developer infrastructure contributions in 2015, an increase in electrical service revenues due to an increase in consumption brought about by an increase in demand and customer base, and an increase in user fee rates for water and wastewater services provided by the Town.

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

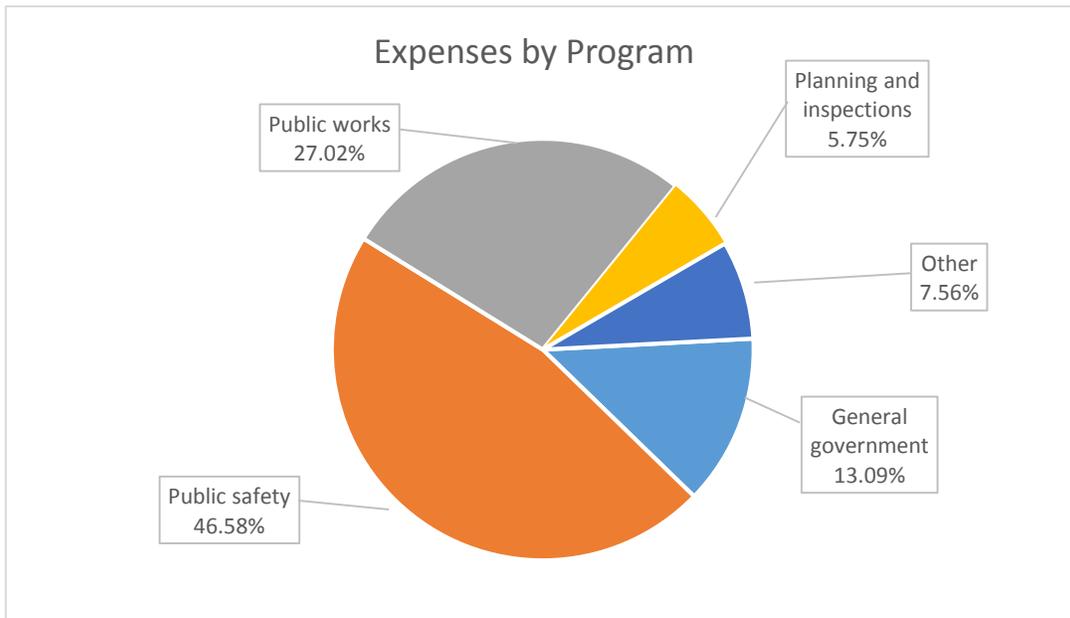
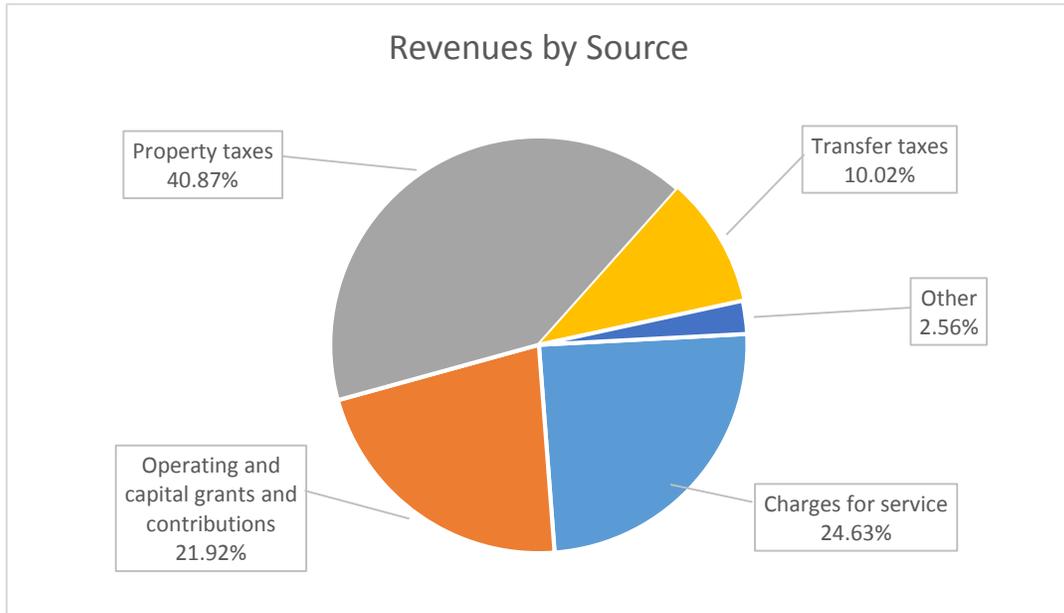
**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2015**

STATEMENT OF CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES						
Program revenues:						
Charges for services	\$ 2,077,686	\$ 2,393,680	\$17,762,248	\$16,850,581	\$19,839,934	\$19,244,261
Operating grants and contributions	690,509	593,361	300,000	-	990,509	593,361
Capital grants and contributions	1,158,725	-	1,309,807	208,102	2,468,532	208,102
General revenues:						
Property taxes	3,447,544	2,940,321	-	-	3,447,544	2,940,321
Transfer taxes	844,960	619,310	-	-	844,960	619,310
Franchise fees	187,919	181,844	-	-	187,919	181,844
Investment earnings	4,054	13,341	107	154	4,161	13,495
Other	23,349	46,346	-	233,575	23,349	279,921
TOTAL REVENUES	<u>8,434,746</u>	<u>6,788,203</u>	<u>19,372,162</u>	<u>17,292,412</u>	<u>27,806,908</u>	<u>24,080,615</u>
EXPENSES						
General government	1,443,523	894,143	-	-	1,443,523	894,143
Public safety	5,135,076	5,058,205	-	-	5,135,076	5,058,205
Public works	2,979,424	3,184,907	-	-	2,979,424	3,184,907
Planning and inspection	633,705	643,618	-	-	633,705	643,618
Library	341,392	381,152	-	-	341,392	381,152
Culture and recreation	355,338	387,046	-	-	355,338	387,046
Neighborhood housing rehabilitation	-	427	-	-	-	427
Interest on long-term debt	136,471	116,385	-	-	136,471	116,385
Electric	-	-	12,327,624	11,974,904	12,327,624	11,974,904
Water/sewer	-	-	3,664,416	3,375,782	3,664,416	3,375,782
Smyrna slum clearance RDA	-	-	12,669	-	12,669	-
TOTAL EXPENSES	<u>11,024,929</u>	<u>10,665,883</u>	<u>16,004,709</u>	<u>15,350,686</u>	<u>27,029,638</u>	<u>26,016,569</u>
Change in net position before transfers	(2,590,183)	(3,877,680)	3,367,453	1,941,726	777,270	(1,935,954)
Transfers	<u>1,342,362</u>	<u>1,848,148</u>	<u>(1,342,362)</u>	<u>(1,848,148)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(1,247,821)</u>	<u>(2,029,532)</u>	<u>2,025,091</u>	<u>93,578</u>	<u>777,270</u>	<u>(1,935,954)</u>
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>11,074,600</u>	<u>13,104,132</u>	<u>28,868,934</u>	<u>28,775,356</u>	<u>39,943,534</u>	<u>41,879,488</u>
NET POSITION, END OF YEAR	<u>\$ 9,826,779</u>	<u>\$11,074,600</u>	<u>\$30,894,025</u>	<u>\$28,868,934</u>	<u>\$40,720,804</u>	<u>\$39,943,534</u>

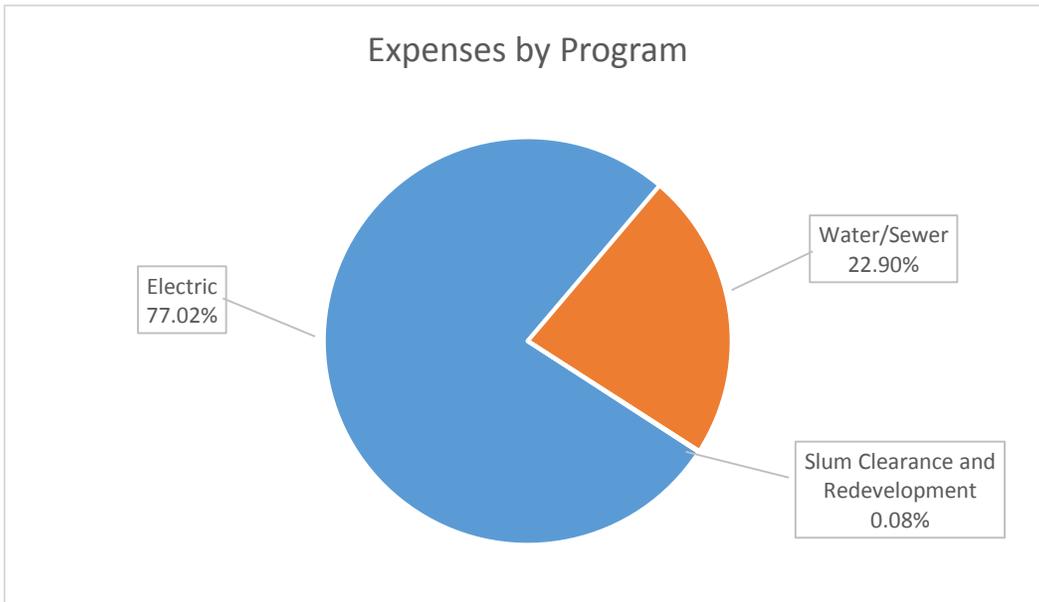
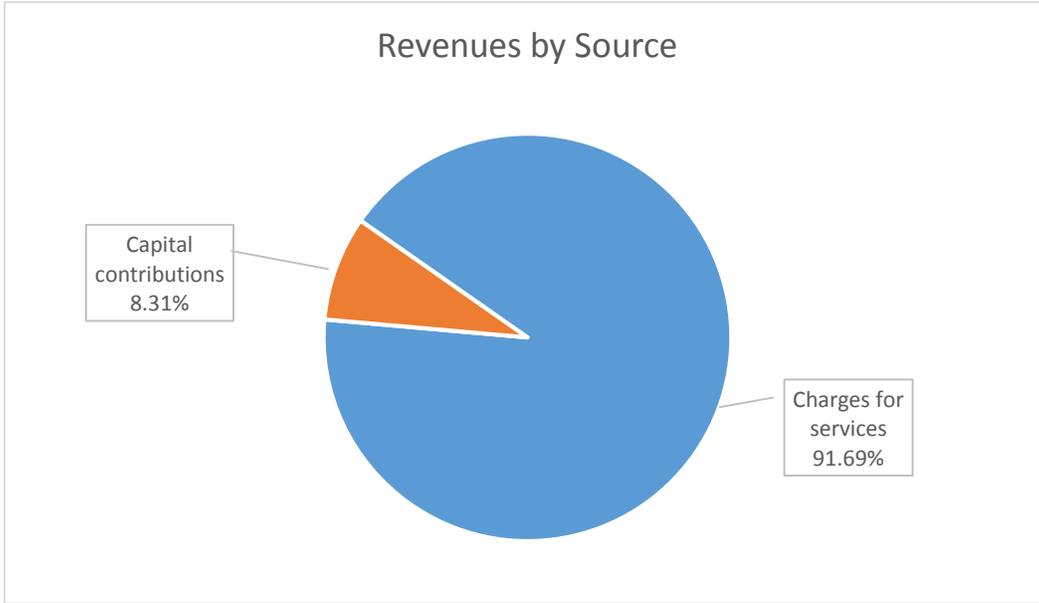
**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2015**

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, 2015**

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, 2015**

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 \$3,282,314. The primary component of this figure is the fund balance of the General Fund at \$2,116,998, of which \$2,341,229 is committed to 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 \$2,116,998, of which a deficit of \$310,317 was considered unassigned.

The fund balance of the Town's General Fund decreased by \$401,657 during the current calendar year. This is mostly due to a decrease in transfers into the General Fund.

The fund balance of the Town's Capital Improvement Fund increased by \$74,102 during the current calendar year. This moderate increase is primarily due to loan program proceeds funding capital improvements.

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

The unrestricted net position of the Electric Fund, Water and Sewer Fund, and the RDA at the end of the year amounted to \$1,226,816. The change in net position for the Electric Fund was an increase of \$852,244, an increase in the Water and Sewer Fund of \$791,926, and an increase in the RDA fund of \$380,921. 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 38. A summary of variations between budget amounts and actual results is as follows:

- Budgeted revenues exceeded actual revenues by \$394,624 primarily due to transfer taxes received in 2015 compared to the budgeted amount.
- Actual expenditures were \$69,289 under budget primarily due to the Town aggressively monitoring its expenditures by implementing cost efficiencies.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2015**

During 2015, the Town amended appropriations for its general government, public safety, public works, planning and inspection, and culture and recreation activities based on revised expectations of future expenditures. These amendments resulted in a decrease in budgeted expenditures of \$14,270. Other financing sources from transfers from other funds were decreased by the same amount.

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, 2015 amounts to \$67,395,527 (net of accumulated depreciation). The following table shows the breakdown of this figure.

	CAPITAL ASSETS (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,366,550	\$ 1,124,129	\$ 421,252	\$ 421,252	\$ 1,787,802	\$ 1,545,381
Construction-in-progress	4,059,197	1,344,676	4,243,949	5,208,614	8,303,146	6,543,290
Land improvements	259,237	284,302	-	-	259,237	284,302
Buildings and improvements	5,224,826	5,376,076	2,325,429	2,389,440	7,550,255	7,756,516
Infrastructure	12,231,719	11,745,814	36,033,883	33,298,649	48,265,602	45,044,463
Machinery and equipment	831,960	851,371	397,525	279,301	1,229,485	1,130,672
	<u>\$23,973,489</u>	<u>\$20,707,368</u>	<u>\$43,422,038</u>	<u>\$41,597,256</u>	<u>\$67,395,527</u>	<u>\$62,304,624</u>

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

- Renovations and improvements to the Smyrna Police Department building totaling \$2,697,987.
- Infrastructure contributions from developers valued at \$1,155,135.

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

- North of Duck Creek utility infrastructure extensions totaling \$988,874.
- Frazier Street and Mt. Vernon Street water main replacement projects totaling \$519,689.
- General electrical installation costs due to continued growth in Smyrna totaling \$314,345.
- Infrastructure contributions from developers valued at \$878,106.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2015**

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

OUTSTANDING DEBT		
Bonds and Loans Payable		
	<u>2015</u>	<u>2014</u>
Governmental activities	\$ 6,745,065	\$ 4,196,228
Business-type activities	<u>14,651,990</u>	<u>14,316,987</u>
TOTAL	<u><u>\$ 21,397,055</u></u>	<u><u>\$ 18,513,215</u></u>

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

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 \$40,519,000 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 2016 budget in December 2015. This budget totaled \$6,768,100 in revenues and \$8,954,301 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 two percent and an increase in budgeted expenditures of two percent. Property tax rates for 2016 will remain the same at \$0.4000 cents per \$100 of assessed value. The Water and Sewer fund user fee rates will be increased by approximately 15 percent.
- The majority of the Town's city limits are in Kent County, whose unemployment rate for the County was reported at 4.6 percent in December 2015. The State's unemployment rate was reported at 4.9 percent.
- The Town's total population at December 2015 is currently estimated at 11,197, an increase from the 2010 census, which placed the Town's total population at 10,023.

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, 2015
(With Summarized Comparative Data for December 31, 2014)

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 105,288	\$ 1,045,391	\$ 1,150,679	\$ 462,642
Investments	3,699,247	7,487	3,706,734	3,904,151
Taxes receivable	204,923	-	204,923	349,358
Accounts receivable	303,749	1,764,571	2,068,320	2,153,266
Grants receivable	706,319	-	706,319	527,679
Loan receivable	-	25,000	25,000	-
Inventory	24,725	651,835	676,560	665,213
Due from other governments	-	721,646	721,646	2,127,881
Prepaid expenses	61,361	23,658	85,019	79,565
Restricted Assets:				
Meter deposits	-	710,400	710,400	673,373
Total Current Assets	<u>5,105,612</u>	<u>4,949,988</u>	<u>10,055,600</u>	<u>10,943,128</u>
Noncurrent Assets:				
Prepaid insurance costs	14,499	19,651	34,150	36,390
Loan receivable	-	275,000	275,000	-
Capital assets, net:				
Land	1,366,550	421,252	1,787,802	1,545,381
Construction-in-progress	4,059,197	4,243,949	8,303,146	6,543,290
Land improvements	259,237	-	259,237	284,302
Buildings and improvements	5,224,826	2,325,429	7,550,255	7,756,516
Infrastructure	12,231,719	36,033,883	48,265,602	45,044,463
Machinery and equipment	831,960	397,525	1,229,485	1,130,672
Total Noncurrent Assets	<u>23,987,988</u>	<u>43,716,689</u>	<u>67,704,677</u>	<u>62,341,014</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	766,845	309,402	1,076,247	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 29,860,445</u>	<u>\$ 48,976,079</u>	<u>\$ 78,836,524</u>	<u>\$ 73,284,142</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 658,375	\$ 985,506	\$ 1,643,881	\$ 2,346,355
Accrued salaries and benefits	73,873	32,205	106,078	108,852
Accrued interest	35,083	66,475	101,558	104,809
Developer deposits	443,378	75,371	518,749	755,720
Other liability	-	212,002	212,002	137,458
Unearned revenue	504,645	463	505,108	520,524
Bonds payable	135,450	179,550	315,000	305,000
Loans payable	3,419,610	1,428,525	4,848,135	2,878,112
Capital lease payable	20,858	-	20,858	-
Accrued compensated absences	56,837	10,098	66,935	65,781
Current Liabilities Payable from Restricted Assets:				
Meter deposits	-	710,400	710,400	673,373
Total Current Liabilities	<u>5,348,109</u>	<u>3,700,595</u>	<u>9,048,704</u>	<u>7,895,984</u>
Noncurrent Liabilities:				
Portions due or payable after one year:				
Accrued compensated absences	511,532	90,885	602,417	592,023
Post-employment benefits	6,846,094	589,019	7,435,113	6,268,177
Bonds payable	2,630,000	3,585,000	6,215,000	6,530,000
Loans payable	560,005	9,458,915	10,018,920	8,800,103
Capital lease payable	22,110	-	22,110	-
Net pension liability	4,079,864	625,564	4,705,428	3,254,321
Total Noncurrent Liabilities	<u>14,649,605</u>	<u>14,349,383</u>	<u>28,998,988</u>	<u>25,444,624</u>
TOTAL LIABILITIES	<u>19,997,714</u>	<u>18,049,978</u>	<u>38,047,692</u>	<u>33,340,608</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	35,952	32,076	68,028	-
NET POSITION				
Net investment in capital assets	17,185,456	28,770,048	45,955,504	43,791,409
Restricted for police	85,488	-	85,488	68,967
Restricted for public works	62,150	-	62,150	92,668
Restricted for capital projects	-	597,161	597,161	1,409,939
Restricted for rural economic development	-	300,000	300,000	-
Unrestricted (deficit)	(7,506,315)	1,226,816	(6,279,499)	(5,419,449)
TOTAL NET POSITION	<u>9,826,779</u>	<u>30,894,025</u>	<u>40,720,804</u>	<u>39,943,534</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 29,860,445</u>	<u>\$ 48,976,079</u>	<u>\$ 78,836,524</u>	<u>\$ 73,284,142</u>

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

**TOWN OF SMYRNA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Totals	
					2015	2014
GOVERNMENTAL ACTIVITIES						
General government	\$ 1,443,523	\$ 35,536	\$ (1,224,693)	\$ (1,224,693)	\$ (570,779)	
Public safety	5,135,076	334,411	(4,668,875)	(4,668,875)	(4,647,537)	
Public works	2,979,424	226,205	(239,753)	(239,753)	(1,642,502)	
Planning and inspection	633,705	-	(313,105)	(313,105)	(164,133)	
Library	341,392	93,857	(160,274)	(160,274)	(150,533)	
Culture and recreation	355,338	500	(354,838)	(354,838)	(386,546)	
Neighborhood housing rehabilitation	-	-	-	-	(427)	
Interest on long-term debt	136,471	-	(136,471)	(136,471)	(116,385)	
TOTAL GOVERNMENTAL ACTIVITIES	11,024,929	690,509	(7,098,009)	(7,098,009)	(7,678,842)	
BUSINESS-TYPE ACTIVITIES						
Electric	12,327,624	-	-	2,182,187	1,468,477	
Water/Sewer	3,664,416	-	-	859,227	239,520	
Slum clearance and redevelopment	12,669	300,000	-	325,932	-	
TOTAL BUSINESS-TYPE ACTIVITIES	16,004,709	300,000	-	3,367,346	1,707,997	
TOTAL PRIMARY GOVERNMENT	\$ 27,029,638	\$ 990,509	(7,098,009)	3,367,346	(5,970,845)	
GENERAL REVENUES						
Real estate taxes			3,447,544	-	2,940,321	
Real estate transfer taxes			844,960	-	619,310	
Franchise fees			187,919	-	181,844	
Investment earnings			4,054	107	13,495	
Gain on sale of capital assets			-	-	233,575	
Miscellaneous			23,349	-	46,346	
Transfers			1,342,362	(1,342,362)	-	
TOTAL GENERAL REVENUES AND TRANSFERS			5,850,188	(1,342,255)	4,034,891	
CHANGE IN NET POSITION			(1,247,821)	2,025,091	(1,935,954)	
NET POSITION, BEGINNING OF YEAR, RESTATED			11,074,600	28,868,934	41,879,488	
NET POSITION, END OF YEAR			\$ 9,826,779	\$ 30,894,025	\$ 39,943,534	

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

TOWN OF SMYRNA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015
(With Summarized Comparative Data for December 31, 2014)

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>	
				<u>2015</u>	<u>2014</u>
ASSETS					
Cash and cash equivalents	-	\$ 19,800	\$ 85,488	\$ 105,288	\$ 257,090
Investments	3,008,548	628,339	62,360	3,699,247	3,896,665
Taxes receivable	204,923	-	-	204,923	349,358
Accounts receivable	303,749	-	-	303,749	443,538
Grants receivable	-	706,319	-	706,319	527,679
Prepaid items	61,361	-	-	61,361	65,389
Inventory	24,725	-	-	24,725	26,088
TOTAL ASSETS	<u>3,603,306</u>	<u>1,354,458</u>	<u>147,848</u>	<u>5,105,612</u>	<u>5,565,807</u>
LIABILITIES					
Accounts payable	321,385	336,780	210	658,375	707,083
Accrued salaries and benefits	73,873	-	-	73,873	92,197
Unearned revenue	504,645	-	-	504,645	520,524
Developer deposits	443,378	-	-	443,378	429,378
TOTAL LIABILITIES	<u>1,343,281</u>	<u>336,780</u>	<u>210</u>	<u>1,680,271</u>	<u>1,749,182</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	143,027	-	-	143,027	192,759
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>143,027</u>	<u>-</u>	<u>-</u>	<u>143,027</u>	<u>192,759</u>
FUND BALANCES					
Nonspendable	86,086	-	-	86,086	91,477
Restricted for police	-	-	85,488	85,488	68,967
Restricted for public works	-	-	62,150	62,150	92,668
Committed for capital projects	2,341,229	1,017,678	-	3,358,907	3,284,805
Unassigned (deficit)	(310,317)	-	-	(310,317)	85,949
TOTAL FUND BALANCES	<u>\$ 2,116,998</u>	<u>\$ 1,017,678</u>	<u>\$ 147,638</u>	<u>\$ 3,282,314</u>	<u>\$ 3,623,866</u>

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, 2015**

TOTAL GOVERNMENTAL FUND BALANCES \$ 3,282,314

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. 23,973,489

Some of the Town's assets are not available to pay for current expenditures and, therefore, are not reported in the funds. 143,027

Deferred inflows and outflows related to the Town's pension plans do not represent current resources or uses of resources, and, therefore, are not reported in the funds.

Deferred outflows of resources - pensions	\$ 766,845	
Deferred inflows of resources - pensions	<u>(35,952)</u>	730,893

Long-term liabilities, including bonds and loans payable, accrued interest, lease payables, the post-employment benefits obligation, and the net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(2,765,450)	
Loans payable	(3,979,615)	
Capital lease payable	(42,968)	
Accrued interest	(35,083)	
Post-employment benefits	(6,846,094)	
Net pension liability	<u>(4,079,864)</u>	(17,749,074)

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. 14,499

Compensated absences that are not due and payable in the current period are not reported in the funds. (568,369)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 9,826,779

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

TOWN OF SMYRNA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Totals
	2015	2015	2015	2014
REVENUES				
Taxes:				
Property taxes	\$ 3,497,276	\$ -	\$ -	\$ 3,004,848
Transfer taxes	844,960	-	-	619,310
Special assessments/impact fees	138,463	-	-	294,875
Charges for services	1,437,363	-	-	1,402,868
Intergovernmental	438,321	3,590	286,868	679,029
Licenses, fees, and permits	334,700	-	-	378,076
Fines and forfeits	44,542	-	-	142,462
Franchise fees	187,919	-	-	181,844
Investment income	304	3,578	172	13,341
Miscellaneous	108,587	2,699	-	153,783
TOTAL REVENUES	7,032,435	9,867	287,040	6,870,436
EXPENDITURES				
Current:				
General government	1,228,783	-	-	632,914
Public safety	3,970,044	-	69,192	4,054,080
Public works	2,069,408	-	260,678	2,272,942
Planning and inspection	577,503	-	-	572,085
Library	309,270	-	-	341,625
Culture and recreation	300,727	-	-	352,336
Neighborhood housing rehabilitation	-	-	-	427
Debt service:				
Principal	154,587	-	-	129,000
Interest	136,394	-	-	116,294
Capital outlays	-	2,683,062	-	955,183
TOTAL EXPENDITURES	8,746,716	2,683,062	329,870	9,426,886
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,714,281)	(2,673,195)	(42,830)	(2,556,450)
OTHER FINANCING SOURCES (USES)				
Loan issuance	-	2,679,987	-	890,009
Capital lease proceeds	66,405	-	-	-
Transfers in	1,330,041	904,479	28,833	4,345,977
Transfers out	(83,822)	(837,169)	-	(2,497,829)
TOTAL OTHER FINANCING SOURCES	1,312,624	2,747,297	28,833	2,738,157
NET CHANGES IN FUND BALANCES	(401,657)	74,102	(13,997)	181,707
FUND BALANCES, BEGINNING OF YEAR, RESTATED	2,518,655	943,576	161,635	3,442,159
FUND BALANCES, END OF YEAR	\$ 2,116,998	\$ 1,017,678	\$ 147,638	\$ 3,623,866

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, 2015**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (341,552)

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 outlay (\$4,329,045) exceeded depreciation expense (\$1,062,924). 3,266,121

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 related to unavailable property tax revenues decreased by this amount this year. (49,732)

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. (2,591,805)

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	\$	4,937	
Accrued interest		874	
Prepaid insurance costs		(951)	
Net OPEB obligation		<u>(1,148,757)</u>	(1,143,897)

In the statement of activities, pension expense reflects the change in the net pension liability, net of related deferred inflows and outflows of resources. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in the net pension liability and related deferrals exceeded pension contributions. (386,956)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,247,821)

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property taxes	\$ 3,460,011	\$ 3,460,011	\$ 3,497,276	\$ 37,265
Transfer taxes	450,000	450,000	844,960	394,960
Special assessment/impact fees	200,000	200,000	138,463	(61,537)
Charges for services	1,483,100	1,483,100	1,437,363	(45,737)
Intergovernmental	340,000	340,000	438,321	98,321
Licenses, fees, and permits	327,700	327,700	334,700	7,000
Fines and forfeits	160,000	160,000	44,542	(115,458)
Franchise fees	156,000	156,000	187,919	31,919
Investment income	1,000	1,000	304	(696)
Miscellaneous	60,000	60,000	108,587	48,587
TOTAL REVENUES	<u>6,637,811</u>	<u>6,637,811</u>	<u>7,032,435</u>	<u>394,624</u>
EXPENDITURES				
Current:				
General government	1,017,810	1,005,132	1,228,783	(223,651)
Public safety	4,118,933	4,225,004	3,970,044	254,960
Public works	1,837,482	1,825,059	2,069,408	(244,349)
Planning and inspection	594,221	616,141	577,503	38,638
Library	382,434	342,737	309,270	33,467
Culture and recreation	461,233	383,770	300,727	83,043
Debt service:				
Principal	309,000	309,000	154,587	154,413
Interest	109,162	109,162	136,394	(27,232)
TOTAL EXPENDITURES	<u>8,830,275</u>	<u>8,816,005</u>	<u>8,746,716</u>	<u>69,289</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,192,464)</u>	<u>(2,178,194)</u>	<u>(1,714,281)</u>	<u>463,913</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	66,405	66,405
Transfers in	2,192,464	2,178,194	1,330,041	(848,153)
Transfers out	-	-	(83,822)	83,822
TOTAL OTHER FINANCING SOURCES	<u>2,192,464</u>	<u>2,178,194</u>	<u>1,312,624</u>	<u>(697,926)</u>
NET CHANGES IN FUND BALANCE	-	-	(401,657)	(401,657)
FUND BALANCE, BEGINNING OF YEAR	<u>2,518,655</u>	<u>2,518,655</u>	<u>2,518,655</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,518,655</u>	<u>\$ 2,518,655</u>	<u>\$ 2,116,998</u>	<u>\$ (401,657)</u>

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

TOWN OF SMYRNA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2015
(With Summarized Comparative Data for December 31, 2014)

	Electric Fund	Water and Sewer Fund	Slum Clearance and Redevelopment Fund	Totals	
				2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 587,290	\$ 377,180	\$ 80,921	\$ 1,045,391	\$ 205,552
Investments	7,487	-	-	7,487	7,486
Due from other governments	-	721,646	-	721,646	2,127,881
Accounts receivable	1,415,438	349,133	-	1,764,571	1,709,728
Loan receivable	-	-	25,000	25,000	-
Inventory	512,218	139,617	-	651,835	639,125
Prepaid expenses	14,242	9,416	-	23,658	14,176
Restricted Assets:					
Meter deposits	703,157	7,243	-	710,400	673,373
Total Current Assets	<u>3,239,832</u>	<u>1,604,235</u>	<u>105,921</u>	<u>4,949,988</u>	<u>5,377,321</u>
Noncurrent Assets:					
Prepaid insurance costs	19,651	-	-	19,651	20,940
Loan receivable	-	-	275,000	275,000	-
Capital assets, net	13,643,545	29,778,493	-	43,422,038	41,597,256
Total Noncurrent Assets	<u>13,663,196</u>	<u>29,778,493</u>	<u>275,000</u>	<u>43,716,689</u>	<u>41,618,196</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	162,438	146,964	-	309,402	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,065,466</u>	<u>\$ 31,529,692</u>	<u>\$ 380,921</u>	<u>\$ 48,976,079</u>	<u>\$ 46,995,517</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
Current Liabilities:					
Accounts payable	\$ 812,240	\$ 173,266	\$ -	\$ 985,506	\$ 1,639,272
Accrued salaries and benefits	16,696	15,509	-	32,205	16,655
Unearned revenue	-	463	-	463	-
Accrued interest	46,505	19,970	-	66,475	68,852
Developer deposits	75,371	-	-	75,371	326,342
Other liability	212,002	-	-	212,002	137,458
Accrued compensated absences	5,100	4,998	-	10,098	8,450
Current portion of bonds payable	179,550	-	-	179,550	173,850
Current portion of loans payable	-	1,428,525	-	1,428,525	2,045,285
Current Liabilities Payable from Restricted Assets:					
Meter deposits	703,157	7,243	-	710,400	673,373
Total Current Liabilities	<u>2,050,621</u>	<u>1,649,974</u>	<u>-</u>	<u>3,700,595</u>	<u>5,089,537</u>
Noncurrent Liabilities:					
Accrued compensated absences	45,901	44,984	-	90,885	76,048
Post-employment benefits	374,830	214,189	-	589,019	570,840
Bonds payable	3,585,000	-	-	3,585,000	3,764,550
Loans payable	-	9,458,915	-	9,458,915	8,333,302
Net pension liability	328,426	297,138	-	625,564	292,306
Total Noncurrent Liabilities	<u>4,334,157</u>	<u>10,015,226</u>	<u>-</u>	<u>14,349,383</u>	<u>13,037,046</u>
TOTAL LIABILITIES	<u>6,384,778</u>	<u>11,665,200</u>	<u>-</u>	<u>18,049,978</u>	<u>18,126,583</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	16,840	15,236	-	32,076	-
NET POSITION					
Net investment in capital assets	9,878,995	18,891,053	-	28,770,048	27,280,269
Restricted for capital projects	-	597,161	-	597,161	1,409,939
Restricted for rural economic development	-	-	300,000	300,000	-
Unrestricted	784,853	361,042	80,921	1,226,816	178,726
TOTAL NET POSITION	<u>10,663,848</u>	<u>19,849,256</u>	<u>380,921</u>	<u>30,894,025</u>	<u>28,868,934</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 17,065,466</u>	<u>\$ 31,529,692</u>	<u>\$ 380,921</u>	<u>\$ 48,976,079</u>	<u>\$ 46,995,517</u>

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, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Electric Fund	Water and Sewer Fund	Slum Clearance and Redevelopment Fund	Totals	
				2015	2014
OPERATING REVENUES					
User service charges	\$ 14,010,572	\$ 3,531,089	\$ -	\$ 17,541,661	\$ 16,608,558
Other operating revenue	153,840	28,146	38,601	220,587	242,023
Total Operating Revenues	<u>14,164,412</u>	<u>3,559,235</u>	<u>38,601</u>	<u>17,762,248</u>	<u>16,850,581</u>
OPERATING EXPENSES					
Electric purchased	9,416,897	-	-	9,416,897	9,008,483
Sewer charges	-	1,007,904	-	1,007,904	1,002,891
System maintenance	220,325	329,134	-	549,459	624,373
Salaries and wages	854,477	716,914	-	1,571,391	1,306,551
Employee benefits	360,635	310,126	-	670,761	766,125
Depreciation and amortization	744,583	589,137	-	1,333,720	1,271,985
Supplies and maintenance	122,392	98,956	-	221,348	219,263
Truck and vehicles	27,009	12,908	-	39,917	61,503
Insurance	49,939	33,165	-	83,104	37,340
Administration expenses	59,444	41,182	10	100,636	150,371
Professional services	286,828	322,607	-	609,435	523,892
Slum clearance program	-	-	12,659	12,659	-
Total Operating Expenses	<u>12,142,529</u>	<u>3,462,033</u>	<u>12,669</u>	<u>15,617,231</u>	<u>14,972,777</u>
OPERATING INCOME	<u>2,021,883</u>	<u>97,202</u>	<u>25,932</u>	<u>2,145,017</u>	<u>1,877,804</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	98	9	-	107	154
Interest expense	(140,095)	(202,383)	-	(342,478)	(332,909)
Gain of sale of capital assets	-	-	-	-	233,575
Intergovernmental revenue (expense)	(45,000)	-	300,000	255,000	(45,000)
Total Nonoperating Revenues (Expenses)	<u>(184,997)</u>	<u>(202,374)</u>	<u>300,000</u>	<u>(87,371)</u>	<u>(144,180)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,836,886</u>	<u>(105,172)</u>	<u>325,932</u>	<u>2,057,646</u>	<u>1,733,624</u>
Transfers in	-	837,169	54,989	892,158	615,638
Transfers out	(1,330,041)	(904,479)	-	(2,234,520)	(2,463,786)
Capital grants	-	86,302	-	86,302	60,183
Developer capital contributions	345,399	878,106	-	1,223,505	147,919
CHANGE IN NET POSITION	<u>852,244</u>	<u>791,926</u>	<u>380,921</u>	<u>2,025,091</u>	<u>93,578</u>
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>9,811,604</u>	<u>19,057,330</u>	<u>-</u>	<u>28,868,934</u>	<u>28,775,356</u>
NET POSITION, END OF YEAR	<u>\$ 10,663,848</u>	<u>\$ 19,849,256</u>	<u>\$ 380,921</u>	<u>\$ 30,894,025</u>	<u>\$ 28,868,934</u>

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

TOWN OF SMYRNA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Electric Fund	Water and Sewer Fund	Slum Clearance and Redevelopment Fund	Totals	
				2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:					
Received from customers	\$ 13,978,670	\$ 3,550,734	\$ 38,601	\$ 17,568,005	\$ 17,058,218
Paid to suppliers for goods and services	(10,314,011)	(2,390,637)	(12,669)	(12,717,317)	(11,129,191)
Paid to employees for services	(1,195,310)	(940,696)	-	(2,136,006)	(2,027,937)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,469,349</u>	<u>219,401</u>	<u>25,932</u>	<u>2,714,682</u>	<u>3,901,090</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	837,169	54,989	892,158	615,638
Transfers out	(1,330,041)	(384,790)	-	(1,714,831)	(2,463,786)
Grant in aid	(45,000)	-	-	(45,000)	-
Issuance of revolving loan funds	-	-	(300,000)	(300,000)	-
Intergovernmental revenues	-	-	300,000	300,000	(45,000)
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,375,041)</u>	<u>452,379</u>	<u>54,989</u>	<u>(867,673)</u>	<u>(1,893,148)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Repayment of bonds and loans payable	(380,182)	(784,196)	-	(1,164,378)	(507,191)
Loan proceeds	-	2,386,390	-	2,386,390	1,604,873
Developer capital contributions	345,399	-	-	345,399	108,066
Acquisition and construction of capital assets	(484,302)	(1,794,805)	-	(2,279,107)	(3,300,129)
Proceeds from sale of capital assets	-	-	-	-	233,575
Capital grants	-	86,302	-	86,302	-
Interest paid	(141,253)	(203,602)	-	(344,855)	(337,490)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(660,338)</u>	<u>(309,911)</u>	<u>-</u>	<u>(970,249)</u>	<u>(2,198,296)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Sale of investments	(1)	-	-	(1)	99,996
Investment income	98	9	-	107	154
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>97</u>	<u>9</u>	<u>-</u>	<u>106</u>	<u>100,150</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>434,067</u>	<u>361,878</u>	<u>80,921</u>	<u>876,866</u>	<u>(90,204)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>856,380</u>	<u>22,545</u>	<u>-</u>	<u>878,925</u>	<u>969,129</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,290,447</u>	<u>\$ 384,423</u>	<u>\$ 80,921</u>	<u>\$ 1,755,791</u>	<u>\$ 878,925</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income	\$ 2,021,883	\$ 97,202	\$ 25,932	\$ 2,145,017	\$ 1,877,804
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	744,583	589,137	-	1,333,720	1,271,985
(Increase) Decrease in:					
Accounts receivable	(40,299)	(14,544)	-	(54,843)	342,803
Inventory	24,692	(37,402)	-	(12,710)	14,017
Prepaid expenses	(4,596)	(4,886)	-	(9,482)	18,165
Deferred outflows - pension	(162,438)	(146,964)	-	(309,402)	-
Increase (Decrease) in:					
Accounts payable	(151,273)	(502,493)	-	(653,766)	466,743
Other liability	74,544	-	-	74,544	(170,416)
Accrued salaries and benefits	6,007	9,543	-	15,550	(37,744)
Developer deposits	(219,987)	6,043	-	(213,944)	35,250
Post-employment benefit obligations	(5,730)	23,909	-	18,179	118,006
Compensated absences	(9,840)	26,325	-	16,485	(35,523)
Net pension liability	174,963	158,295	-	333,258	-
Deferred inflows - pension	16,840	15,236	-	32,076	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,469,349</u>	<u>\$ 219,401</u>	<u>\$ 25,932</u>	<u>\$ 2,714,682</u>	<u>\$ 3,901,090</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Developer contributions of capital assets	\$ -	\$ 878,106	\$ -	\$ 878,106	\$ -
Transfer out	-	(519,689)	-	(519,689)	-
Net loan receipts from current and prior year loan receivables	-	(833,242)	-	(833,242)	-
Loan forgiveness	-	53,767	-	53,767	-
	<u>\$ -</u>	<u>\$ (421,058)</u>	<u>\$ -</u>	<u>\$ (421,058)</u>	<u>\$ -</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:					
Cash and cash equivalents	\$ 587,290	\$ 377,180	\$ 80,921	\$ 1,045,391	\$ 205,552
Meter deposits - restricted	703,157	7,243	-	710,400	673,373
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,290,447</u>	<u>\$ 384,423</u>	<u>\$ 80,921</u>	<u>\$ 1,755,791</u>	<u>\$ 878,925</u>

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

**TOWN OF SMYRNA
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2015 AND 2014**

	Totals	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 930,965	\$ 1,004,074
Interest receivable	6,656	6,531
Prepaid expense	43,705	36,745
Investments at fair value:		
Equities	959,930	2,591,993
Mutual funds	1,477,780	3,465,888
Fixed income	3,951,233	2,215,641
Exchange-traded funds	-	2,480,432
Insurance contracts	3,545,075	3,569,480
TOTAL ASSETS	\$ 10,915,344	\$ 15,370,784
 LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ 16,772	\$ 4,105
 NET POSITION		
Net position restricted for pensions	10,898,572	15,366,679
TOTAL LIABILITIES AND NET POSITION	\$ 10,915,344	\$ 15,370,784

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

**TOWN OF SMYRNA
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Totals	
	2015	2014
ADDITIONS:		
Contributions:		
Employer contribution	\$ 646,138	\$ 927,662
Employee contributions	159,777	154,634
State aid - police	139,447	98,248
Total Contributions	945,362	1,180,544
Investment income (loss):		
Interest and dividends	427,709	401,525
Net appreciation (depreciation) in fair value of investments	(488,833)	31,372
Total Investment Income (Loss)	(61,124)	432,897
Less investment expense	183,328	186,123
Net Investment Income (Loss)	(244,452)	246,774
TOTAL ADDITIONS	700,910	1,427,318
DEDUCTIONS:		
Benefits paid	642,746	554,938
Transfer to State retirement plan	4,522,594	-
Administrative expenses	3,677	9,194
TOTAL DEDUCTIONS	5,169,017	564,132
NET (DECREASE) INCREASE IN NET POSITION	(4,468,107)	863,186
NET POSITION RESTRICTED FOR PENSIONS:		
Beginning of year	15,366,679	14,503,493
End of year	\$ 10,898,572	\$ 15,366,679

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 ("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. Based on the application of these criteria, the Town is considered to be an independent reporting entity.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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 governmental 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 unearned 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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 Improvement 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 measurement 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Nonmajor Proprietary Fund – In addition to the above major proprietary funds, the Slum Clearance and Redevelopment Fund is used to account for redevelopment and revitalization activity of blighted areas within the Town.

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.

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. In addition, the Town's governmental funds receivables relate largely to tax receivables and intergovernmental grant receivables. Tax receivables are considered to be fully collectible, as the Town can lien taxpayers' real property for lack of payment, and are normally paid in full when the title to a property transfers. Intergovernmental grant receivables, based on their nature, are also considered to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established by the Town.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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. Expenditures for prepayments are recognized during the period benefited by the prepayment, the consumption method.

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.

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	20 - 50 years
Infrastructure	10 - 50 years
Land improvements	20 - 50 years
Machinery and equipment	5 - 25 years

Non-bargaining Units

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 20 days maximum is paid if the employee is terminated in good standing, retires, or dies. 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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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.

Uniformed Employee Bargaining Units

Uniformed full-time employees begin to accrue vacation and sick leave when they are hired. 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 amount of sick days. If the employee is terminated in good standing, retires, or dies, the maximum amount of days paid shall be equivalent to 45 days. 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. Compensatory time has accrued at the rate of 1½ hours for each one hour of overtime worked. Employees may accumulate up to a maximum of 80 hours of compensatory time. The Town shall have the option to pay the employee at the Town's discretion, for any amount of accrued compensatory time if the employee termination is through retirement or death.

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.

Long-term Debt

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 issuance costs are expensed in the governmental and business-type activities when incurred. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method in the proprietary funds and entity-wide statements.

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

The Town follows 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 that can only be used for specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Town Council. Committed amounts cannot be used for any other purposes unless the Town Council removes those constraints by taking the same type of formal action (i.e. resolution).

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 July 1 are given a six percent discount. Taxes paid on or

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

after September 30 of each year are assessed interest at 1½ 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 2015 was 40 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 Improvement Fund and certain nonmajor governmental funds. Since project periods may differ from the Town's fiscal year, a comparison of budgetary information for the Capital Improvement 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 2015, 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 year ended December 31, 2015 the Town implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability in the entity's financial statements. The impact of this statement has been reflected in the financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement. The impact of this statement has been reflected in the financial statements.

Accounting for the Effects of Rate Regulation

The Town has elected to be subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("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.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2015, the General Fund incurred expenditures in excess of appropriations in the following functions:

<u>Fund</u>	<u>Function</u>	<u>Expenditures Over Budget</u>
General	General government	\$ 223,651
General	Public works	\$ 244,349
General	Debt service - interest	\$ 27,232

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 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.

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. The Town has not adopted a formal policy limiting the amount of the Town's deposits subject to custodial credit risk. At December 31, 2015, the carrying amount of the Town's deposits was \$1,861,079, and the bank balance was \$2,515,429. The Town maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limit of \$250,000. Of the bank balance at December 31, 2015, \$269,775 was covered by federal depository insurance, and \$2,245,654 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Town's name. The Town has not experienced any losses in such accounts.

The above does not include pension fund deposits disclosed in Notes 11 and 12.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

Investments

As of December 31, 2015, the Town had the following investments:

U.S. Treasury bills	\$ 2,684,313
Money market mutual funds	<u>1,022,421</u>
	<u>\$ 3,706,734</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 Improvement 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 Improvement Fund shall be seven years. At December 31, 2015, the Town's investments in U.S. Treasury bills had maturity dates of less than one year.

Custodial Credit Risk

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

Credit Risk

The Town has an investment policy which limits investment choices to those which are backed by the full faith and credit of the U.S. Government through either an explicit or implied manner; obligations of a state, county or city, or institutional investment pools with a Moody's 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 "Five Stars" by Morning Star and AAAM by Standard and Poor's.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

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 11 and 12.

NOTE 4 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 1,124,129	\$ 242,421	\$ -	\$ 1,366,550
Construction-in-progress	1,334,676	2,724,521	-	4,059,197
Total Capital Assets Not Being Depreciated	<u>2,458,805</u>	<u>2,966,942</u>	<u>-</u>	<u>5,425,747</u>
Capital assets being depreciated:				
Buildings and improvements	6,959,946	-	-	6,959,946
Infrastructure	19,995,661	1,155,135	-	21,150,796
Land improvements	792,958	-	-	792,958
Machinery and equipment	4,194,794	206,968	-	4,401,762
Total Capital Assets Being Depreciated	<u>31,943,359</u>	<u>1,362,103</u>	<u>-</u>	<u>33,305,462</u>
Less accumulated depreciation for:				
Buildings and improvements	1,592,870	142,250	-	1,735,120
Infrastructure	8,249,847	669,230	-	8,919,077
Land improvements	508,656	25,065	-	533,721
Machinery and equipment	3,343,423	226,379	-	3,569,802
Total Accumulated Depreciation	<u>13,694,796</u>	<u>1,062,924</u>	<u>-</u>	<u>14,757,720</u>
Total Capital Assets Being Depreciated, Net	<u>18,248,563</u>	<u>299,179</u>	<u>-</u>	<u>18,547,742</u>
Governmental Activities Assets, Net	<u>\$20,707,368</u>	<u>\$ 3,266,121</u>	<u>\$ -</u>	<u>\$23,973,489</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>
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 421,252	\$ -	\$ -	\$ 421,252
Construction-in-progress	<u>5,208,614</u>	<u>1,070,506</u>	<u>2,035,171</u>	<u>4,243,949</u>
Total Capital Assets Not Being Depreciated	<u>5,629,866</u>	<u>1,070,506</u>	<u>2,035,171</u>	<u>4,665,201</u>
Capital assets being depreciated:				
Buildings and improvements	3,265,334	-	-	3,265,334
Infrastructure	43,137,597	3,950,875	-	47,088,472
Machinery and equipment	<u>1,504,787</u>	<u>171,003</u>	-	<u>1,675,790</u>
Total Capital Assets Being Depreciated	<u>47,907,718</u>	<u>4,121,878</u>	<u>-</u>	<u>52,029,596</u>
Less accumulated depreciation for:				
Buildings and improvements	875,894	64,011	-	939,905
Infrastructure	9,838,948	1,215,641	-	11,054,589
Machinery and equipment	<u>1,225,486</u>	<u>52,779</u>	-	<u>1,278,265</u>
Total Accumulated Depreciation	<u>11,940,328</u>	<u>1,332,431</u>	<u>-</u>	<u>13,272,759</u>
Total Capital Assets Being Depreciated, Net	<u>35,967,390</u>	<u>2,789,447</u>	<u>-</u>	<u>38,756,837</u>
Business-type Activities Assets, Net	<u>\$41,597,256</u>	<u>\$3,859,953</u>	<u>\$2,035,171</u>	<u>\$43,422,038</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 105,033
Public safety	104,570
Public works	809,191
Planning and inspection	1,746
Library	16,689
Culture and recreation	<u>25,695</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,062,924</u>
Business-type Activities:	
Electric	\$ 743,294
Water	<u>589,137</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,332,431</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 2,896,600	\$ -	\$ 131,150	\$ 2,765,450	\$ 135,450
Loans payable	1,299,628	2,679,987	-	3,979,615	3,419,610
Capital lease payable	-	66,405	23,437	42,968	20,858
Compensated absences	573,306	209,776	214,713	568,369	56,837
Post-employment benefits	5,697,337	1,148,757	-	6,846,094	-
TOTAL	<u>\$10,466,871</u>	<u>\$ 4,104,925</u>	<u>\$ 369,300</u>	<u>\$14,202,496</u>	<u>\$ 3,632,755</u>
Business-type Activities:					
Bonds payable	\$ 3,938,400	\$ -	\$ 173,850	\$ 3,764,550	\$ 179,550
Loans payable	10,378,587	1,553,148	1,044,295	10,887,440	1,428,525
Compensated absences	84,498	86,543	70,058	100,983	10,098
Post-employment benefits	570,840	18,179	-	589,019	-
TOTAL	<u>\$14,972,325</u>	<u>\$ 1,657,870</u>	<u>\$ 1,288,203</u>	<u>\$15,341,992</u>	<u>\$ 1,618,173</u>

For the governmental activities, 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.

Bonds and Loans Payable

Governmental Activities:

The Town issued General Obligation Bonds, Series of 2011, which was used to prepay the Town's General Obligation Note, Series of 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.

\$ 2,765,450

The Town obtained a line of credit in the amount of \$4,000,000 to assist in providing interim funding for the Police Department building project. The loan will be repaid using the proceeds from the USDA direct program loan. Interest is paid monthly at a floating rate. The loan matures April 30, 2016. At year end, the interest rate was 1.71%.

3,979,615

Total Governmental Activities

\$ 6,745,065

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

Business-type Activities:

<p>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.</p>	<p>\$ 832,060</p>
<p>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.</p>	<p>1,113,385</p>
<p>The Town issued General Obligation Bonds, Series of 2011 which was used to prepay the Town's General Obligation Note, Series of 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.</p>	<p>3,764,550</p>
<p>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.</p>	<p>2,906,353</p>
<p>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.</p>	<p>1,565,841</p>
<p>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 and includes a principal forgiveness feature of 86%. The loan matures August 1, 2033.</p>	<p>149,525</p>
<p>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. The loan matures April 30, 2016. At year end, the interest rate was 1.9%.</p>	<p>7,848</p>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

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. The loan matures April 30, 2016. Interest is paid monthly at a floating rate. At year end, the interest rate was 1.7%.

1,043,464

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 the Duck Creek project. The Town has currently obtained interim financing during the construction period and will be repaid using the proceeds from the USDA direct loan program. The Town is still drawing down on this loan. There is no interest on this loan.

438,886

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the South Street wastewater project. The loan matures April 30, 2032 and bears interest at 2.0% payable on April 30 and October 30.

1,266,763

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the New Street pump station project. The loan matures April 30, 2032 and bears interest at 2.0% payable on April 30 and October 30.

282,816

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the Green Branch pump station project. The loan matures April 30, 2032 and bears interest at 2.0% payable on April 30 and October 30.

161,542

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the Green Meadows pump station project. The loan matures April 30, 2032 and bears interest at 2.0% payable on April 30 and October 30.

538,390

Loan payable issued by the Delaware Department of Health and Social Services, Division of Public Health in the total amount of \$689,714 to finance the Mt. Vernon and Frazier Streets water main replacement. The Town is still drawing down on this loan. There is no interest on this loan.

580,567

Total Business-type Activities

\$ 14,651,990

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>
2016	\$ 5,163,135	\$ 384,087	\$ 5,547,222
2017	706,618	367,138	1,073,756
2018	726,272	348,740	1,075,012
2019	746,180	328,776	1,074,956
2020	766,349	307,607	1,073,956
2021-2025	4,031,230	1,175,743	5,206,973
2026-2030	3,906,553	516,158	4,422,711
2031-2033	5,350,718	17,654	5,368,372
Total	<u>\$ 21,397,055</u>	<u>\$ 3,445,903</u>	<u>\$ 24,842,958</u>

Compensated Absences

At December 31, 2015, accrued compensated absences for governmental activities totaled \$568,369. This total is comprised of accrued vacation leave of \$246,808, accrued sick leave of \$302,961, and compensatory time of \$18,600. In addition, at December 31, 2015, accrued compensated absences in the business-type activities and proprietary funds totaled \$100,983. This total is comprised of accrued vacation leave of \$59,737 and accrued sick leave of \$41,246.

Capital Leases

The Town has entered into a lease agreement for the financing of new police vehicles. Payments are due annually with an interest rate of six percent. This capital lease has been recorded at the present value of the future minimum lease payments as of the inception date. The capital assets acquired through capital leases are as follows:

Machinery and equipment	\$ 74,467
Less: accumulated depreciation	<u>(6,206)</u>
	<u>\$ 68,261</u>

The governmental activities minimum lease payment amounted to \$23,437 in 2015. The future lease payments under the capital lease at December 31, 2015 are as follows:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

<u>Year Ending December 31,</u>	
2016	\$ 23,437
2017	23,437
Less amount representing interest	<u>(3,906)</u>
Present value of future minimum lease payments	<u>\$ 42,968</u>

The Town is leasing public works vehicles under operating leases. The total cost for such leases was \$65,853 in 2015. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 66,513
2017	66,513
2018	66,513
2019	66,513
2020	<u>66,513</u>
Future minimum lease payments	<u>\$ 332,565</u>

NOTE 6 INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2015 was as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 83,822	\$ 1,330,041
Capital Improvement Fund	837,169	904,479
Nonmajor Governmental Funds	-	28,833
Water and Sewer Fund	904,479	837,169
Electric Fund	1,330,041	-
Slum Clearance and Redevelopment Fund	-	<u>54,989</u>
TOTAL	<u>\$ 3,155,511</u>	<u>\$ 3,155,511</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 LOAN RECEIVABLE

The Town is a participant in the United States Department of Agriculture ("USDA") Rural Economic Development/Rural Microentrepreneur Assistance Program, which allows for the establishment and operation of a revolving loan fund to finance approved economic development projects. The loan is interest free, and the annual payments to the Town are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 25,000
2017	30,000
2018	30,000
2019	30,000
2020	30,000
Thereafter	<u>155,000</u>
Future minimum lease payments	<u>\$ 300,000</u>

NOTE 8 FUND BALANCE

As of December 31, 2015, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 61,361	\$ -	\$ -	\$ 61,361
Inventory	24,725	-	-	24,725
Restricted:				
Police	-	-	85,488	85,488
Public works	-	-	62,150	62,150
Committed:				
Capital projects	2,341,229	1,017,678	-	3,358,907
Unassigned (deficit)	<u>(310,317)</u>	<u>-</u>	<u>-</u>	<u>(310,317)</u>
Total Fund Balances	<u>\$ 2,116,998</u>	<u>\$ 1,017,678</u>	<u>\$ 147,638</u>	<u>\$ 3,282,314</u>

During 2013, the Town established a Budget Reserve Account as passed by Town Ordinance. The Budget Reserve Account will be \$3,000,000 or 10 percent of the General Fund operating budget (excluding extraordinary or onetime items), whichever is greater. As of December 31, 2015, this account was not fully funded.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 NET INVESTMENT IN CAPITAL ASSETS

A schedule of net investment in capital assets as of December 31, 2015 is as follows:

Governmental Activities:	
Total capital assets, net	\$ 23,973,489
Less: loans, bonds and capital leases payable	<u>(6,788,033)</u>
Total Net Investment in Capital Assets	<u>\$ 17,185,456</u>
Business-type Activities:	
Total capital assets, net	\$ 43,422,038
Less: loans, bonds and capital leases payable	<u>(14,651,990)</u>
Total Net Investment in Capital Assets	<u>\$ 28,770,048</u>

NOTE 10 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.

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 Statement No. 34, as follows:

**STATEMENT OF NET POSITION - PENSION TRUST FUNDS
December 31, 2015**

	Police	Employee	Totals
ASSETS			
Cash and cash equivalents	\$ 615,532	\$ 315,433	\$ 930,965
Interest receivable	835	5,821	6,656
Prepaid expense	19,813	23,892	43,705
Investments at fair value:			
Equities	-	959,930	959,930
Mutual funds	-	1,477,780	1,477,780
Fixed income	346,958	3,604,275	3,951,233
Insurance contracts	<u>1,947,636</u>	<u>1,597,439</u>	<u>3,545,075</u>
TOTAL ASSETS	<u>\$ 2,930,774</u>	<u>\$ 7,984,570</u>	<u>\$ 10,915,344</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLANS (cont'd)

STATEMENT OF NET POSITION - PENSION TRUST FUNDS
December 31, 2015

<i>(cont'd)</i>	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
LIABILITIES AND NET POSITION			
LIABILITIES	\$ 9,501	\$ 7,271	\$ 16,772
NET POSITION:			
Net position restricted for pensions	<u>2,921,273</u>	<u>7,977,299</u>	<u>10,898,572</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,930,774</u>	<u>\$ 7,984,570</u>	<u>\$ 10,915,344</u>

STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS
For the Year Ended December 31, 2015

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employer contribution	\$ 341,084	\$ 305,054	\$ 646,138
Employee contribution	102,816	56,961	159,777
State aid - police	139,447	-	139,447
Total Contributions	<u>583,347</u>	<u>362,015</u>	<u>945,362</u>
Investment Income:			
Interest and dividends	190,222	237,487	427,709
Net depreciation			
of fair value of investments	<u>(181,720)</u>	<u>(307,113)</u>	<u>(488,833)</u>
Total Investment Income (Loss)	8,502	(69,626)	(61,124)
Less investment expense	89,494	93,834	183,328
Net Investment Loss	<u>(80,992)</u>	<u>(163,460)</u>	<u>(244,452)</u>
TOTAL ADDITIONS	<u>502,355</u>	<u>198,555</u>	<u>700,910</u>
DEDUCTIONS			
Benefits paid	338,363	304,383	642,746
Transfer of assets to State retirement plan	4,522,594	-	4,522,594
Administrative expenses	1,728	1,949	3,677
TOTAL DEDUCTIONS	<u>4,862,685</u>	<u>306,332</u>	<u>5,169,017</u>
NET DECREASE IN NET POSITION	(4,360,330)	(107,777)	(4,468,107)
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	<u>7,281,603</u>	<u>8,085,076</u>	<u>15,366,679</u>
End of year	<u>\$ 2,921,273</u>	<u>\$ 7,977,299</u>	<u>\$ 10,898,572</u>

Investment policy statements are adopted by the plan administrator for each pension plan.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 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. 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 \$102,816 in 2015. 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 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.

As of December 31, 2015, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	0
Terminated vested participants	5
Retirees and beneficiaries currently receiving benefits	<u>14</u>
	<u>19</u>

As noted above, there are no active employees reflected in the actuarial valuation because as discussed on page 71, in December 2015, the Town started the transfer of plan assets and liabilities attributable to active officers to the State of Delaware County and Municipal Pension Plan; and the effect of the transfer has been reflected in the actuarial valuation.

Police Pension Fund plan benefit provisions are as follows:

All police officers are eligible to participate in the plan upon date of hire.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POLICE PENSION FUND (cont'd)

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

The pension plan provides for normal retirement at 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 five years of vesting service.

Participant benefits are based on 2½ 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

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, 2015, the carrying amount of the Police Pension Fund deposits was \$615,532, and the bank balance of the Police Pension Fund deposits was \$615,532. Of this amount, \$615,470 was insured or registered and the securities held by the Town or its agent in the Town's name, and \$62 was equal to the deposits in a money market fund held by the trustee of the pension plan in the Town's name.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POLICE PENSION FUND (cont'd)

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, 2015, the Town of Smyrna Police Pension Plan had the following investments:

	Fair Value
Federal agency fund income securities	\$ 346,958
Unallocated fixed income insurance contracts	1,947,636
Total	\$ 2,294,594

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.

Funding Policy

The Town intends to continue to fund the actuarially determined contribution ("ADC") as provided for in the actuarial valuation. The current year contributions are based on the parameters set forth in the actuarial valuation report as of December 31, 2015 in accordance with GASB Statements No. 67 and No. 68. The funding may be impacted by differences in actual experience and the actuarial assumptions. The employer contributions are considered by the actuaries in their determination of the actuarially determined contribution. The actuarially determined contribution conforms to the entry age normal cost method as defined in GASB Statements No. 67 and No. 68.

Asset Allocation and Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and asset correlation. The asset allocation as of December 31, 2015 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POLICE PENSION FUND (cont'd)

Category Allocation	Target Allocation	Long-term Expected Rate of Return
Cash	16.66%	0.65%
Short-term bonds	16.67%	1.49%
Aetna insurance contracts	66.67%	4.25%
	100.00%	

Discount Rate

The discount rate used to measure the Town's total pension liability is 4.00 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Net Pension Liability

The total pension liability was determined by an actuarial valuation as of December 31, 2015. As discussed on page 71, the transfer of assets and liabilities attributable to active officers to the State of Delaware County and Municipal Police Pension Plan is considered a significant event. Therefore, the total pension liability has been determined by an actuarial valuation as of December 31, 2015, including the effects of this transfer. The net pension liability of \$3,378,727 is measured as the difference between the total pension liability of \$6,300,000 and the fiduciary net position of \$2,921,273.

The components of the net pension liability of the Police Pension Fund of the Town at December 31, 2015 is as follows:

Total pension liability	\$ 6,300,000
Fiduciary net position	(2,921,273)
Net pension liability	\$ 3,378,727
Plan fiduciary net position as a percentage of the total pension liability	46.37%

The Town's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2015 were as follows:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POLICE PENSION FUND (cont'd)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2014	\$ 9,916,000	\$ 7,281,603	\$ 2,634,397
Changes for the year:			
Service cost	331,406	-	331,406
Interest	604,841	-	604,841
Transfer to DPERS	(5,088,542)	(4,522,594)	(565,948)
Effect of economic or demographic gains or losses	(498,285)	-	(498,285)
Effect of assumption changes	1,372,943	-	1,372,943
Benefit payments	(338,363)	(338,363)	-
Employer contributions	-	480,531	(480,531)
Member contributions	-	102,816	(102,816)
Net investment loss	-	(80,992)	80,992
Administrative expenses	-	(1,728)	1,728
Net Changes	<u>(3,616,000)</u>	<u>(4,360,330)</u>	<u>744,330</u>
Balance at December 31, 2015	<u>\$ 6,300,000</u>	<u>\$ 2,921,273</u>	<u>\$ 3,378,727</u>

As of December 31, 2015, the net pension liability of \$3,378,727 is a liability related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the police pension plan of the Town, calculated using the discount rate of 4.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current rate:

	<u>1% Decrease 3.00%</u>	<u>Current Discount Rate 4.00%</u>	<u>1% Increase 5.00%</u>
Net pension liability	\$ 4,329,727	\$ 3,378,727	\$ 2,619,727

The schedule of changes in the pension liability, schedule of Town contributions, and a schedule of investment returns are presented as required supplementary information ("RSI") following the notes to the financial statements.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POLICE PENSION FUND (cont'd)

Money-weighted Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on the Police Pension Fund investments, net of investment expense was negative 1.09 percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2015, the Police Pension Fund recognized pension expense of \$324,266. At December 31, 2015 the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows
Difference between actual and projected investment returns	\$ 420,064

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 105,016
2017	105,016
2018	105,016
2019	105,016
	\$ 420,064

The following actuarial methods and assumptions were used in the December 31, 2015 actuarial valuation.

Actuarial Methods and Significant Assumptions

Valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	10 years
Amortization period	Closed

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 POLICE PENSION FUND (cont'd)

Actuarial Methods and Significant Assumptions

Asset valuation method	Current market value plus employer contributions expected to be made in the current year, discounted back to the current valuation date using the plan's investment rate of return assumption
Actuarial assumptions:	
Investment rate of return	4.00%
Discount rate	4.00%
Projected salary increases	Based on years of service
Cost of living adjustments	N/A
Mortality	RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for pre-retirement.

The above information regarding the Police Pension Fund was taken from the December 31, 2015 Actuarial Valuation presented by Milliman, Inc., signed by Glenn D. Bowen, FSA and Timothy J. Nugent, FSA, dated March 25, 2016.

Effective January 1, 2016 the Town will begin to participate in the State of Delaware County and Municipal Police Pension Plan for uniformed police officers for all active employees. In December 2015, the Town started to transfer plan assets from the single-employer defined benefit plan established and administered by the Town to the State of Delaware County and Municipal Police Pension Plan for uniformed police officers. The pension plan is managed by the State of Delaware Board of Pension Trustees. The Comprehensive Annual Financial Report of the Delaware Public Employees Retirement System can be obtained from the Office of Pensions, 680 Silver Lake Boulevard, Dover, Delaware, 19904-2402, or at www.delawarepensions.com.

GASB Statement No. 68 information is not available from the plan since the plan's measurement date is June 30, 2014, which is prior to the Town's police employees' effective date of participation in the plan.

NOTE 12 FULL-TIME EMPLOYEES PENSION FUND

Plan Description and Provisions

The Town's Full-Time Employees 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 three percent of annual compensation in excess of \$6,000 on or after January 1, 2013. Non-union participants are required to contribute 2.5 percent of annual compensation in excess of \$10,000 on or after

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

January 1, 2013. Contributions are accumulated at an annual compound rate of interest of five percent per year. Employee contributions totaled \$56,961 in 2015. 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.

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 Aetna Life Insurance Company and Lincoln Financial Securities Corporation.

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

As of January 1, 2015, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	47
Terminated vested participants	21
Retirees and beneficiaries currently receiving benefits	<u>14</u>
	<u>82</u>

Full-time Employees 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. Union employees hired on or after January 1, 2012 and non-union employees hired on or after March 1, 2012 are not eligible to participate in the plan.

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, 2013 - February 29, 2013	1.67%	2.50%
March 1, 2013 and after	1.67%	2.25%

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

The pension plan provides for normal retirement at age 65 and completion of five 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 five 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.

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

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, 2015, the carrying amount of the full-time employees pension fund deposits was \$315,433, and the bank balance was \$315,433. Of this amount, \$164,151 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$151,282 was equal to the deposits in a money market 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 Employees Pension Fund 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 12 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

As of December 31, 2015, the Town of Smyrna Full-time Employees Pension Fund had the following investments:

	<u>Fair Value</u>
Equities	\$ 959,930
Mutual Funds	1,477,780
Fixed income	3,604,275
Unallocated fixed income insurance contracts	1,597,439
 Total	 \$ 7,639,424

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.

Funding Policy

The Town intends to continue to fund the actuarially determined contribution ("ADC") as provided for in the actuarial valuation. The current year contributions are based on the parameters set forth in the actuarial valuation report as of January 1, 2015 in accordance with GASB Statements No. 67 and No. 68. The funding may be impacted by differences in actual experience and the actuarial assumptions. The employer contributions are considered by the actuaries in their determination of the actuarially determined contribution. The actuarially determined contribution conforms to the entry age normal cost method as defined in GASB Statements No. 67 and No. 68.

Asset Allocation and Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and asset correlation. The asset allocation as of December 31, 2015 and best estimates of arithmetic real rates of return for each major asset classes are summarized in the following table:

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Cash	1.60%	0.65%
Short-term bonds	19.68%	1.49%
Intermediate-term bonds	15.36%	1.82%
Long-term bonds	8.64%	3.05%
Government bonds	2.96%	1.40%
Large cap	4.48%	5.09%
Large growth	4.48%	5.81%
Large value	4.00%	4.96%
Small growth	2.08%	7.12%
Small value	2.16%	5.58%
Mid cap growth	3.28%	6.48%
Mid cap value	3.60%	5.25%
Foreign equities	4.80%	6.00%
Emerging markets	1.92%	8.13%
Non-U.S. small cap	0.96%	6.69%
Aetna insurance contracts	20.00%	4.50%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Town's total pension liability is 6.00 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Net Pension Liability

The Town's net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was determined by an actuarial valuation as of January 1, 2015, calculated based on the discount rate and actuarial assumptions and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$1,326,701 and is measured as the difference between the total pension liability of \$9,304,000 and the fiduciary net position of \$7,977,299.

The components of the net pension liability of the full-time employees pension fund of the Town at December 31, 2015 is as follows:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

Total pension liability	\$ 9,304,000
Fiduciary net position	(7,977,299)
Net pension liability	<u>\$ 1,326,701</u>
Plan fiduciary net position as a percentage of the total pension liability	85.74%

The Town's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2015 were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2014	\$ 8,705,000	\$ 8,085,076	\$ 619,924
Changes for the year:			
Service cost	291,036	-	291,036
Interest	530,764	-	530,764
Effect of economic or demographic gains or losses	163,217	-	163,217
Effect of assumption changes	(81,634)	-	(81,634)
Benefit payments	(304,383)	(304,383)	-
Employer contributions	-	305,054	(305,054)
Member contributions	-	56,961	(56,961)
Net investment loss	-	(163,460)	163,460
Administrative expenses	-	(1,949)	1,949
Net Changes	<u>599,000</u>	<u>(107,777)</u>	<u>706,777</u>
Balance at December 31, 2015	<u>\$ 9,304,000</u>	<u>\$ 7,977,299</u>	<u>\$ 1,326,701</u>

As of December 31, 2015, \$701,137 of the net pension liability is a liability related to the governmental funds and is recorded in the government-wide statement of net position. The remaining \$625,564 of the net pension liability is recorded as a liability in the Water and Sewer Fund for \$297,138 and in the Electric Fund for \$328,426 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the full-time employees pension fund of the Town, calculated using the discount rate of 6.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.00 percent) or one percentage point higher (7.00 percent) than the current rate:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net pension liability (asset)	\$ 2,687,701	\$ 1,326,701	\$ 196,701

The schedule of changes in the pension liability, schedule of Town contributions, and a schedule of investment returns are presented as required supplementary information ("RSI") following the notes to the financial statements.

Money-weighted Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on the full-time pension fund investments, net of investment expense was negative 2.02 percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2015, the employee pension fund recognized pension expense of \$118,622. At December 31, 2015, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows	Deferred Outflows
Differences between actual and expected experience	\$ -	\$ 136,014
Change of assumptions	68,028	-
Difference between actual and projected investment returns	-	520,169
Total Deferred Outflows and Inflows	<u>\$ 68,028</u>	<u>\$ 656,183</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

Year Ending December 31,	
2016	\$ 143,639
2017	143,639
2018	143,639
2019	143,639
2020	13,599
	\$ 588,155

The following actuarial methods and assumptions were used in the January 1, 2015 funding valuation.

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	4 years
Amortization period	Closed
Asset valuation method	Current market value plus employer contributions expected to be made in the current year, discounted back to the current valuation date using the plan's investment rate of return assumption
 Actuarial assumptions:	
Investment rate of return	6.00%
Discount rate	6.00%
Projected salary increases	3.50%
Cost of living adjustments	0.00%
Mortality	RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for pre-retirement.

The above information regarding the Full-time Employees Pension Fund was taken from the January 1, 2015 Actuarial Valuation presented by Milliman, Inc., signed by Glenn D. Bowen, FSA and Timothy J. Nugent, FSA, dated January 11, 2016.

Effective January 1, 2015, the Town began to participate in the County and Municipal Other Employees Pension Plan for Town employees whose employment with the Town started on or after January 1, 2012 for union employees, and March 1, 2012 for non-union employees. This is a cost-sharing multiple-employer defined benefit pension plan. The State of Delaware enacted legislation to provide for the plan and is responsible for setting benefits,

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

contributions, and amending plan provisions. This is a contributory plan with the employee contributing three percent of earnings in excess of \$6,000. For the year ended December 31, 2015, \$511,973 in payroll earnings were reported to and covered by the plan.

The Town's contribution percentages were 6.48 percent for the period January 1, 2015 through June 30, 2015 and 6.21 percent for the period July 1, 2015 through December 31, 2015. The Town's contributions to the plan for the year ended December 31, 2015 totaled \$27,967 and were equal to the required contributions for the year. These contributions cover the Town's total liability funding, as determined by the State of Delaware's actuary.

The pension plan is managed by the State of Delaware Board of Pension Trustees. The Comprehensive Annual Financial Report of the Delaware Public Employees Retirement System can be obtained from the Office of Pensions, 680 Silver Lake Boulevard, Dover, Delaware, 19902-2402, or at www.delawarepensions.com.

As of December 31, 2015, the Town's membership in this plan is comprised of 12 active employees that are non-vested.

The plan's benefit provisions are as follows:

Service benefits – 1/60th of the final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan, average monthly compensation is the monthly average of the highest five years of compensation.

Vesting – membership rights in the plan vest after five years of credited service.

Disability benefits – members receive disability benefits on the same basis as service benefits. Members must have five years of credited service to be eligible to receive disability benefits.

Survivor benefits – eligible survivors of retired plan members receive 50 percent of the deceased member's service benefit. If the member is an active employee in the plan, the eligible survivor receives 50 percent of the service benefit the deceased member would have received at age 62.

Employer contributions – employer contributions are determined by the Board of Pension Trustees. Employer contributions were 6.5 percent and 6.6 percent of earnings for the fiscal year 2015 and 2014, respectively.

Employee contributions – employees contribute three percent of earnings in excess of \$6,000.

GASB Statement No. 68 information is not available for the plan, as the plan's measurement date is June 30, 2014, which is prior to the Town employees' effective date of participation in the plan.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 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 Postemployment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the Town. This statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2015, the Town contributed \$78,318 to the plan for current premiums, or approximately 93 percent of total premiums. Plan members receiving benefits contributed \$6,201, or approximately seven 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, 2015 totaled \$84,519.

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 1,177,633	\$ 1,087,249	\$ 964,516
Interest on OPEB obligation	120,230	95,812	72,427
Adjustment to annual required contribution	<u>(480,683)</u>	<u>(350,026)</u>	<u>(244,200)</u>
Annual OPEB cost (expense)	817,180	833,035	792,743
Contributions made	<u>(80,100)</u>	<u>(81,700)</u>	<u>(73,200)</u>
Increase in net OPEB obligation	737,080	751,335	719,543
Net OPEB obligation, beginning of year	<u>3,699,394</u>	<u>2,948,059</u>	<u>2,228,516</u>
Net OPEB obligation, end of year	<u>\$ 4,436,474</u>	<u>\$ 3,699,394</u>	<u>\$ 2,948,059</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 2015 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>
2015	\$ 817,180	10%	\$ 4,436,474
2014	\$ 833,035	10%	\$ 3,699,394
2013	\$ 792,743	9%	\$ 2,948,059

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$5,973,600, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$5,973,600. The covered payroll (annual payroll of active employees covered by the plan) was \$1,463,936, and the ratio of the UAAL to the covered payroll was 408.1 percent.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Actuarial Methods and Assumptions

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

In the January 1, 2015 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 6.60 percent in 2015, reduced by decrements to an ultimate rate of 4.60 percent in 2080 and later. The UAAL is being amortized based on a level dollar, 15-year closed period. The remaining amortization period at December 31, 2015 was eight years.

NOTE 14 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 Postemployment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the Town. This statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2015, the Town contributed \$20,679 to the plan for current premiums, or 100 percent of total premiums.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

Post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2015 totaled \$20,679.

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>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 703,347	\$ 726,147	\$ 638,981
Interest on OPEB obligation	83,485	66,227	49,767
Adjustment to annual required contribution	<u>(333,776)</u>	<u>(241,944)</u>	<u>(167,799)</u>
Annual OPEB cost (expense)	453,056	550,430	520,949
Contributions made	<u>(23,200)</u>	<u>(19,400)</u>	<u>(14,500)</u>
Increase in net OPEB obligation	429,856	531,030	506,449
Net OPEB obligation, beginning of year	<u>2,568,783</u>	<u>2,037,753</u>	<u>1,531,304</u>
Net OPEB obligation, end of year	<u>\$2,998,639</u>	<u>\$2,568,783</u>	<u>\$2,037,753</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 2015 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>
2015	\$ 453,056	5%	\$ 2,998,639
2014	\$ 550,430	4%	\$ 2,568,783
2013	\$ 520,949	3%	\$ 2,037,753

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$3,475,600, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$3,475,600. The covered payroll (annual payroll of active employees covered by the plan) was \$2,765,000, and the ratio of the UAAL to the covered payroll was 125.7 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, 2015 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 6.60 percent in 2015, reduced by decrements to an ultimate rate of 4.60 percent in 2080 and later. The UAAL is being amortized based on a level dollar, 15-year closed period. The remaining amortization period at December 31, 2015 was eight years.

NOTE 15 DEFERRED COMPENSATION PLAN

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 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, 2013. Participating members are entitled to their contractual share of all power supply and ancillary products generated from the Unit #2 nominal 50 MW natural gas-fired combustion turbine generator for the useful life of the facility.

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

NOTE 17 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 COMMITMENTS AND CONTINGENCIES (cont'd)

The Town is actively engaged in the following projects which are under formal construction contracts:

<u>Project Name</u>	<u>Estimated Cost</u>	<u>Total Expended at 12/31/2015</u>
Waste Water System Project	\$ 5,975,000	\$ 5,361,500
Commerce Street - Water	1,156,275	1,035,027
North of Duck Creek - Water	1,260,396	1,260,396
Town of Smyrna Police Department Building	4,900,000	3,979,614
Mt. Vernon and Frazier Street water projects	<u>759,975</u>	<u>580,566</u>
	<u>\$14,051,646</u>	<u>\$12,217,103</u>

Certain projects totaling \$3,913,957 within the above-noted projects have been completed and placed in service.

NOTE 18 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 19 UNEARNED REVENUES

The Town received an advance payment of impact fees totaling \$931,241 in the General Fund. As of December 31, 2015, only an amount totaling \$426,597 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$504,645 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 20 PRIOR PERIOD RESTATEMENTS

The Town has restated its December 31, 2014 net position in its governmental activities and business-type activities to record the net pension liability at December 31, 2015 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71, as discussed in Note 1. The net result of this change is a decrease of \$3,224,852 in governmental activities net position, and \$354,556 in its business-type activities net position.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20 PRIOR PERIOD RESTATEMENTS (cont'd)

In addition, the Town also restated its December 31, 2014 fund balance in the Capital Improvement Fund based on an error detected in the opening balance of grants receivable. The net result of this change is a decrease of \$385,431 in the Capital Improvement Fund fund balance.

NOTE 21 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through June 10, 2016 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF SMYRNA
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY,
RELATED RATIOS, AND INVESTMENT RETURNS - POLICE PENSION FUND**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 331,406	\$ 327,657
Interest on total pension liability	604,841	568,978
Transfer to DPERS	(5,088,542)	-
Effect of economic/demographic (gain) or loss	(498,285)	44,041
Effect of assumption changes or inputs	1,372,943	-
Benefit payments	<u>(338,363)</u>	<u>(359,975)</u>
Net change in total pension liability	(3,616,000)	580,701
Total pension liability, beginning	9,916,000	9,335,299
Total pension liability, ending (a)	<u>\$ 6,300,000</u>	<u>\$ 9,916,000</u>
FIDUCIARY NET POSITION		
Employer contributions	\$ 480,531	\$ 743,174
Member contributions	102,816	94,055
Investment income (loss) net of investment expenses	(80,992)	163,108
Transfer to DPERS	(4,522,594)	-
Benefit payments	(338,363)	(359,975)
Administrative expenses	<u>(1,728)</u>	<u>(5,035)</u>
Net change in fiduciary net position	(4,360,330)	635,327
Fiduciary net position, beginning	7,281,603	6,646,276
Fiduciary net position, ending (b)	<u>\$ 2,921,273</u>	<u>\$ 7,281,603</u>
Net pension liability [(a) - (b)]	<u>\$ 3,378,727</u>	<u>\$ 2,634,397</u>
Plan fiduciary net position as a percentage of the total pension liability	46.37%	73.43%
Covered payroll	N/A	1,381,065
Net pension liability as a percentage of covered payroll	N/A	190.75%
Annual money-weighted return, net of investment expenses	-1.09%	2.37%

Notes to Schedule:

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

The effects of economic demograph losses and changes of assumptions relate to the overall demographic changes of participants in the Plan, a decrease in the discount rate from 6.00% to 4.00%, and a decrease in the expected investment rate of return from 6.00% to 4.00%.

**TOWN OF SMYRNA
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY,
RELATED RATIOS, AND INVESTMENT RETURNS - EMPLOYEE PENSION FUND**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 291,036	\$ 307,110
Interest on total pension liability	530,764	500,216
Effect of economic/demographic (gain) or loss	163,217	(34,663)
Effect of assumption changes or inputs	(81,634)	-
Benefit payments	<u>(304,383)</u>	<u>(194,963)</u>
Net change in total pension liability	599,000	577,700
Total pension liability, beginning	<u>8,705,000</u>	<u>8,127,300</u>
Total pension liability, ending (a)	<u><u>\$ 9,304,000</u></u>	<u><u>\$ 8,705,000</u></u>
FIDUCIARY NET POSITION		
Employer contributions	\$ 305,054	\$ 282,736
Member contributions	56,961	60,579
Investment income (loss) net of investment expenses	(163,460)	83,666
Benefit payments	(304,383)	(194,963)
Administrative expenses	<u>(1,949)</u>	<u>(4,159)</u>
Net change in fiduciary net position	<u>(107,777)</u>	<u>227,859</u>
Fiduciary net position, beginning	<u>8,085,076</u>	<u>7,857,217</u>
Fiduciary net position, ending (b)	<u><u>\$ 7,977,299</u></u>	<u><u>\$ 8,085,076</u></u>
Net pension liability [(a) - (b)]	<u><u>\$ 1,326,701</u></u>	<u><u>\$ 619,924</u></u>
Plan fiduciary net position as a percentage of the total pension liability	85.74%	92.88%
Covered payroll	2,367,385	2,446,089
Net pension liability as a percentage of covered payroll	56.04%	25.34%
Annual money-weighted return, net of investment expenses	-2.02%	1.05%

Notes to Schedule:

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

The effects of economic demograph losses and changes of assumptions relate to the overall demographic changes of participants in the Plan and changes in the assumed retirement age of participants.

**TOWN OF SMYRNA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION FUND**

REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2006	\$ 355,321	\$ 355,321	-	\$ 1,033,220	34.39%
2007	434,667	434,667	-	1,051,536	41.34%
2008	433,209	433,209	-	1,154,660	37.52%
2009	469,209	470,007	(798)	1,301,300	36.12%
2010	636,517	582,095	54,422	1,390,092	41.87%
2011	683,829	736,757	(52,928)	1,131,507	65.11%
2012	643,627	735,774	(92,147)	1,161,460	63.35%
2013	710,437	710,785	(348)	1,343,083	52.92%
2014	818,964	743,174	75,790	1,381,065	53.81%
2015	716,636	480,531	236,105	N/A	N/A

Notes to Schedule

Valuation date January 1, 2014

Actuarial cost method Entry Age Normal (GASB Statement No. 67 version)

Amortization method Level Dollar Amortization

Remaining amortization period 11 years

Amortization period Closed

Asset valuation method Current market value plus employer contributions expected to be made in the current year, discounted back to the current valuation date using the plan's investment rate of return assumption

Actuarial assumptions:

- Investment rate of return 6.00%
- Discount rate 6.00%
- Projected salary increases Based on years of service
- Cost of living adjustments N/A
- Mortality RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for pre-retirement.

**TOWN OF SMYRNA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - EMPLOYEE PENSION FUND**

REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2006	\$ 238,958	\$ 238,958	\$ -	\$ 1,699,532	14.06%
2007	415,674	415,674	-	2,005,968	20.72%
2008	493,464	493,464	-	2,185,008	22.58%
2009	542,282	543,128	(846)	2,243,955	24.20%
2010	715,823	655,417	60,406	2,579,706	25.41%
2011	708,657	768,252	(59,595)	2,525,418	30.42%
2012	618,547	681,700	(63,153)	2,452,320	27.80%
2013	457,790	515,445	(57,655)	2,430,423	21.21%
2014	314,213	282,736	31,477	2,446,089	11.56%
2015	272,580	305,054	(32,474)	2,367,385	12.89%

Notes to Schedule

Valuation date January 1, 2014

Actuarial cost method Entry Age Normal (GASB Statement No. 67 version)

Amortization method Level Dollar Amortization

Remaining amortization period 5 years

Amortization period Closed

Asset valuation method Current market value plus employer contributions expected to be made in the current year, discounted back to the current valuation date using the plan's investment rate of return assumption

Actuarial assumptions:

- Investment rate of return 6.00%
- Discount rate 6.00%
- Projected salary increases 3.50%
- Cost of living adjustments 0.00%
- Mortality RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for pre-retirement.

TOWN OF SMYRNA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - POST-EMPLOYMENT HEALTHCARE BENEFITS -
TOWN EMPLOYEES AND POLICE

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Full-time Employees	1/1/2015	\$ -	\$3,475,600	3,475,600	0.00%	2,765,000	125.70%
Police	1/1/2015	-	5,973,600	5,973,600	0.00%	1,463,936	408.10%
Full-time Employees	1/1/2012	-	3,000,100	3,000,100	0.00%	2,482,000	120.87%
Police	1/1/2012	-	5,161,700	5,161,700	0.00%	1,161,000	444.60%
Full-time Employees	1/1/2009	-	2,015,000	2,015,000	0.00%	2,244,000	89.80%
Police	1/1/2009	-	3,648,000	3,648,000	0.00%	1,301,000	280.40%

SCHEDULE OF ANNUAL EMPLOYER COST - POST-EMPLOYMENT HEALTHCARE BENEFITS -
TOWN EMPLOYEES AND POLICE

	Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Full-time Employees	12/31/2015	\$ 453,056	5.12%	\$ 2,998,639
Police	12/31/2015	817,180	9.80%	4,436,474
Full-time Employees	12/31/2014	550,430	3.52%	2,568,783
Police	12/31/2014	833,035	9.81%	3,699,394
Full-time Employees	12/31/2013	520,949	2.78%	2,037,753
Police	12/31/2013	792,743	9.23%	2,948,059
Full-time Employees	12/31/2012	492,822	2.00%	1,531,304
Police	12/31/2012	754,323	9.00%	2,228,516
Full-time Employees	12/31/2011	376,557	6.16%	1,048,482
Police	12/31/2011	586,015	12.42%	1,543,193
Full-time Employees	12/31/2010	376,557	4.81%	695,125
Police	12/31/2010	586,015	9.95%	1,029,978
Full-time 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, 2015**

	<u>Municipal Street Aid Fund</u>	<u>S.A.L.L.E. Fund</u>	<u>E.I.D.E. Fund</u>	<u>Resource Officer Fund</u>	<u>Forfeiture Fund</u>	<u>Totals</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ 4,712	\$ 6,908	\$ 49,810	\$ 24,058	\$ 85,488
Investments	<u>62,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,360</u>
TOTAL ASSETS	<u>\$ 62,360</u>	<u>\$ 4,712</u>	<u>\$ 6,908</u>	<u>\$ 49,810</u>	<u>\$ 24,058</u>	<u>\$ 147,848</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 210	\$ -	\$ -	\$ -	\$ -	\$ 210
FUND BALANCES						
Restricted for:						
Police expenditures	-	4,712	6,908	49,810	24,058	85,488
Public works expenditures	<u>62,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,150</u>
TOTAL FUND BALANCES	<u>62,150</u>	<u>4,712</u>	<u>6,908</u>	<u>49,810</u>	<u>24,058</u>	<u>147,638</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,360</u>	<u>\$ 4,712</u>	<u>\$ 6,908</u>	<u>\$ 49,810</u>	<u>\$ 24,058</u>	<u>\$ 147,848</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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>Total</u>
REVENUES						
Intergovernmental	\$ 201,155	\$ 10,423	\$ 10,063	\$ 23,066	\$ 42,161	\$ 286,868
Investment income	172	-	-	-	-	172
TOTAL REVENUES	<u>201,327</u>	<u>10,423</u>	<u>10,063</u>	<u>23,066</u>	<u>42,161</u>	<u>287,040</u>
EXPENDITURES						
Current:						
Public safety - police	-	9,070	5,406	20,296	34,420	69,192
Public works	260,678	-	-	-	-	260,678
TOTAL EXPENDITURES	<u>260,678</u>	<u>9,070</u>	<u>5,406</u>	<u>20,296</u>	<u>34,420</u>	<u>329,870</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(59,351)</u>	<u>1,353</u>	<u>4,657</u>	<u>2,770</u>	<u>7,741</u>	<u>(42,830)</u>
OTHER FINANCING SOURCES						
Transfers in	28,833	-	-	-	-	28,833
TOTAL OTHER FINANCING SOURCES	<u>28,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,833</u>
NET CHANGES IN FUND BALANCE	(30,518)	1,353	4,657	2,770	7,741	(13,997)
FUND BALANCES, BEGINNING OF YEAR	92,668	3,359	2,251	47,040	16,317	161,635
FUND BALANCES, END OF YEAR	<u>\$ 62,150</u>	<u>\$ 4,712</u>	<u>\$ 6,908</u>	<u>\$ 49,810</u>	<u>\$ 24,058</u>	<u>\$ 147,638</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2015
(With Summarized Comparative Data for December 31, 2014)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			<u>2015</u>	<u>2014</u>
ASSETS				
Cash and cash equivalents	\$ 615,532	\$ 315,433	\$ 930,965	\$ 1,004,074
Interest receivable	835	5,821	6,656	6,531
Prepaid expense	19,813	23,892	43,705	36,745
Investments at fair value:				
Equities	-	959,930	959,930	2,591,993
Mutual funds	-	1,477,780	1,477,780	3,465,888
Fixed income	346,958	3,604,275	3,951,233	2,215,641
Exchange-traded funds	-	-	-	2,480,432
Insurance contracts	<u>1,947,636</u>	<u>1,597,439</u>	<u>3,545,075</u>	<u>3,569,480</u>
TOTAL ASSETS	<u><u>\$ 2,930,774</u></u>	<u><u>\$ 7,984,570</u></u>	<u><u>\$10,915,344</u></u>	<u><u>\$15,370,784</u></u>
 LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 9,501	\$ 7,271	\$ 16,772	\$ 4,105
 NET POSITION				
Net position restricted for pensions	<u>2,921,273</u>	<u>7,977,299</u>	<u>10,898,572</u>	<u>15,366,679</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,930,774</u></u>	<u><u>\$ 7,984,570</u></u>	<u><u>\$10,915,344</u></u>	<u><u>\$15,370,784</u></u>

TOWN OF SMYRNA
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			2015	2014
ADDITIONS				
Contributions:				
Employer contribution	\$ 341,084	\$ 305,054	\$ 646,138	\$ 927,662
Employee contributions	102,816	56,961	159,777	154,634
State aid - police	139,447	-	139,447	98,248
Total Contributions	<u>583,347</u>	<u>362,015</u>	<u>945,362</u>	<u>1,180,544</u>
Investment Income (Loss):				
Interest and dividends	190,222	237,487	427,709	401,525
Net (depreciation) appreciation in fair value of investments	(181,720)	(307,113)	(488,833)	31,372
Total Investment Income (Loss)	<u>8,502</u>	<u>(69,626)</u>	<u>(61,124)</u>	<u>432,897</u>
Less investment expense	89,494	93,834	183,328	186,123
Net Investment Income (Loss)	<u>(80,992)</u>	<u>(163,460)</u>	<u>(244,452)</u>	<u>246,774</u>
TOTAL ADDITIONS	<u>502,355</u>	<u>198,555</u>	<u>700,910</u>	<u>1,427,318</u>
DEDUCTIONS				
Benefits paid	338,363	304,383	642,746	554,938
Transfer of assets to State retirement plan	4,522,594	-	4,522,594	-
Administrative expenses	1,728	1,949	3,677	9,194
TOTAL DEDUCTIONS	<u>4,862,685</u>	<u>306,332</u>	<u>5,169,017</u>	<u>564,132</u>
NET INCREASE (DECREASE) IN NET POSITION	(4,360,330)	(107,777)	(4,468,107)	863,186
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	<u>7,281,603</u>	<u>8,085,076</u>	<u>15,366,679</u>	<u>14,503,493</u>
End of year	<u>\$ 2,921,273</u>	<u>\$ 7,977,299</u>	<u>\$10,898,572</u>	<u>\$15,366,679</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 report for the relevant year. The Town implemented GASB Statement No. 34 in fiscal year 2004; schedules presenting entity-wide information include information beginning in that year.

TOWN OF SMYRNA

NET POSITION

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

Accrual basis of accounting

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities										
Net investment in capital assets	\$ 17,185,456	\$ 16,511,140	\$ 17,322,727	\$ 17,800,609	\$ 16,410,827	\$ 16,779,039	\$ 17,305,604	\$ 16,572,941	\$ 15,557,668	\$ 6,728,354
Restricted for police projects	85,488	68,967	79,954	83,336	93,791	66,301	59,755	59,436	53,776	47,285
Restricted for public works projects	62,150	92,668	135,830	297,609	524,523	416,287	262,774	148,140	210,250	171,833
Unrestricted (deficit)	(7,506,315)	(5,598,175)	(824,096)	352,459	773,079	1,887,933	3,415,301	5,113,893	4,373,230	3,602,789
Total governmental activities net position	\$ 9,826,779	\$ 11,074,600	\$ 16,714,415	\$ 18,534,013	\$ 17,802,220	\$ 19,149,560	\$ 21,043,434	\$ 21,894,410	\$ 20,194,924	\$ 10,550,261
Business-type Activities										
Net investment in capital assets	\$ 28,770,048	\$ 27,280,269	\$ 27,331,488	\$ 25,581,921	\$ 23,200,177	\$ 23,321,078	\$ 22,173,690	\$ 19,989,271	\$ 18,048,736	\$ 9,897,663
Restricted for capital projects	597,161	1,409,939	195,702	236,335	1,036,547	162,953	848,290	-	-	-
Restricted for rural economic development	300,000	-	-	-	-	-	-	-	-	-
Unrestricted	1,226,816	178,726	1,602,722	1,231,180	2,516,567	2,255,968	1,728,246	2,284,157	2,967,735	1,922,016
Total business-type activities net position	\$ 30,894,025	\$ 28,868,934	\$ 29,129,912	\$ 27,049,436	\$ 26,753,291	\$ 25,739,999	\$ 24,750,226	\$ 22,273,428	\$ 21,016,471	\$ 11,819,679
Primary Government										
Net investment in capital assets	\$ 45,955,504	\$ 43,791,409	\$ 44,654,215	\$ 43,382,530	\$ 39,611,004	\$ 40,100,117	\$ 39,479,294	\$ 36,562,212	\$ 33,606,404	\$ 16,626,017
Restricted for police projects	85,488	68,967	79,954	83,336	93,791	66,301	59,755	59,436	53,776	47,285
Restricted for public works projects	62,150	92,668	135,830	297,609	524,523	416,287	262,774	148,140	210,250	171,833
Restricted for capital projects	597,161	1,409,939	195,702	236,335	1,036,547	162,953	848,290	-	-	-
Restricted for rural economic development	300,000	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	(6,279,499)	(5,419,449)	778,626	1,583,639	3,289,646	4,143,901	5,143,547	7,398,050	7,340,965	5,524,805
Total primary government net position	\$ 40,720,804	\$ 39,943,534	\$ 45,844,327	\$ 45,583,449	\$ 44,555,511	\$ 44,889,559	\$ 45,793,660	\$ 44,167,838	\$ 41,211,395	\$ 22,369,940

Decrease 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 ten fiscal years ending December 31,

(Unaudited)

Accrual basis of accounting

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities										
General government	\$ 1,443,523	\$ 894,143	\$ 916,169	\$ 819,583	\$ 979,679	\$ 639,478	\$ 991,556	\$ 541,804	\$ 759,203	\$ 857,943
Public safety	5,135,076	5,058,205	4,891,398	4,397,133	4,126,417	4,173,614	3,900,646	3,347,620	3,038,754	3,163,053
Public works	2,979,424	3,184,907	3,164,500	3,377,238	2,824,054	2,529,000	2,396,831	2,686,125	2,463,952	1,723,522
Planning and inspection	633,705	643,618	615,649	686,349	766,442	702,608	674,914	797,144	836,185	753,951
Library	341,392	381,152	341,844	339,695	292,287	245,271	290,558	272,447	283,318	381,555
Culture and recreation	355,338	387,046	312,689	276,295	206,521	325,927	308,638	356,473	301,762	269,896
Business park	-	-	-	10,360	11,370	11,155	11,370	13,325	12,805	13,906
Neighborhood housing rehabilitation	-	427	335	568	10,360	11,155	11,370	-	6,895	50,106
Interest on long-term debt	136,471	116,385	114,366	114,348	215,866	143,016	147,638	96,271	7,702,874	-
Total governmental activities	11,024,929	10,665,883	10,356,950	10,011,209	9,421,626	8,770,069	8,723,743	8,111,209	7,702,874	7,213,932
Business-type activities										
Electric	12,327,624	11,974,904	11,472,593	12,047,790	12,668,683	12,695,759	11,505,781	11,429,814	10,582,868	9,778,074
Water/Sewer	3,664,416	3,375,782	3,395,598	2,965,988	2,879,104	2,918,014	2,687,910	2,743,058	2,499,947	2,135,690
Slum clearance and redevelopment	12,669	-	-	-	-	-	-	-	-	-
Total business-type activities	16,004,709	15,350,686	14,868,191	15,013,778	15,547,787	15,613,773	14,193,691	14,172,872	13,082,815	11,913,764
Total primary government expenses	\$ 27,029,638	\$ 26,016,569	\$ 25,225,141	\$ 25,024,987	\$ 24,969,413	\$ 24,383,842	\$ 22,917,434	\$ 22,284,081	\$ 20,785,689	\$ 19,127,696
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 183,294	\$ 323,364	\$ 273,283	\$ 242,335	\$ 213,500	\$ 312,924	\$ 495,144	\$ 670,436	\$ 843,486	\$ 614,997
Public safety	131,790	131,470	156,739	151,054	118,042	95,411	98,743	140,480	104,268	129,169
Public works	1,354,741	1,323,104	1,260,599	1,163,188	1,138,606	1,065,489	943,340	890,563	981,985	751,504
Planning and inspection	320,600	479,485	369,639	474,028	323,075	389,704	507,841	564,419	657,992	531,552
Library	87,261	136,257	102,163	96,451	81,233	152,890	64,292	51,747	44,803	26,867
Operating grants and contributions	690,509	593,361	480,870	587,195	734,687	485,541	400,186	519,984	554,430	558,849
Capital grants and contributions	1,158,725	-	472,216	2,159,991	732,075	107,875	1,145,990	852,537	851,855	48,277
Total governmental activities	3,926,920	2,987,041	3,115,509	4,874,242	3,341,218	2,609,834	3,655,536	3,690,166	4,038,819	2,661,215
Charges for services										
Electric	14,164,412	13,295,462	12,768,215	13,518,689	14,047,848	13,832,744	13,213,378	13,125,246	12,392,787	12,584,841
Water/Sewer	3,559,235	3,555,119	3,247,342	3,252,812	3,297,172	3,452,336	3,056,770	3,126,298	2,867,186	2,754,992
Slum clearance and redevelopment	38,601	-	-	-	-	-	-	-	-	-
Operating grants and contributions	300,000	-	-	11,932	21,365	600,108	1,657,139	1,404,042	2,267,173	1,245,688
Capital grants and contributions	1,309,807	208,102	3,122,453	2,784,485	1,618,655	17,885,188	17,927,287	17,655,586	17,527,146	16,585,521
Total business-type activities	19,372,055	17,058,683	19,138,010	19,567,918	18,985,040	20,495,022	21,582,823	21,345,752	21,565,965	19,246,736
Total primary government program revenues	\$ 23,298,975	\$ 20,045,724	\$ 22,253,519	\$ 24,442,160	\$ 22,326,258	\$ 20,495,022	\$ 21,582,823	\$ 21,345,752	\$ 21,565,965	\$ 19,246,736
Net (Expense) Revenue										
Governmental activities	\$ (7,098,009)	\$ (7,678,842)	\$ (7,241,441)	\$ (5,136,967)	\$ (6,080,408)	\$ (6,160,235)	\$ (5,068,207)	\$ (4,421,043)	\$ (3,664,055)	\$ (4,552,171)
Business-type activities	3,367,346	1,707,997	4,269,819	4,554,140	3,437,253	2,271,415	3,733,596	3,482,714	4,444,331	4,671,757
Total primary government net expense	\$ (3,730,663)	\$ (5,970,845)	\$ (2,971,622)	\$ (582,827)	\$ (2,643,155)	\$ (3,888,820)	\$ (1,334,611)	\$ (938,329)	\$ 780,276	\$ 119,040

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 ten fiscal years ending December 31,
(Unaudited)
Accrual basis of accounting
Cont'd

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenues and Other Changes in Net Position										
Governmental activities										
Real estate taxes	\$ 3,447,544	\$ 2,940,321	\$ 2,603,882	\$ 2,347,762	\$ 2,015,044	\$ 2,074,467	\$ 1,933,324	\$ 1,841,492	\$ 1,201,024	\$ 1,092,855
Real estate transfer taxes	844,960	619,310	417,320	512,265	361,336	561,542	669,914	1,051,590	962,133	1,534,963
Franchise fees	187,919	181,844	169,336	193,997	146,203	143,993	132,249	125,903	116,123	105,001
Investment earnings	4,054	13,341	24,717	14,490	5,827	11,037	56,471	196,127	303,640	222,231
Miscellaneous income	23,349	46,346	16,699	174,438	117,937	193,559	167,996	75,126	42,196	44,257
Net gain on disposal of capital assets	-	-	-	-	-	-	-	602,138	-	3,382
Transfers	1,342,362	1,848,148	2,189,889	2,625,808	2,086,721	1,281,763	1,257,277	2,228,153	2,474,694	1,628,923
Total governmental activities	<u>5,850,188</u>	<u>5,649,310</u>	<u>5,421,843</u>	<u>5,868,760</u>	<u>4,733,088</u>	<u>4,266,361</u>	<u>4,217,231</u>	<u>6,120,529</u>	<u>5,099,810</u>	<u>4,631,612</u>
Business-type activities										
Investment earnings	107	154	546	148	140	121	479	2,396	1,805	2,949
Net gain on sale of capital assets	-	233,575	-	-	-	-	-	-	-	5,837
Transfers	(1,342,362)	(1,848,148)	(2,189,889)	(2,625,808)	(2,086,721)	(1,281,763)	(1,257,277)	(2,228,153)	(2,474,694)	(1,628,923)
Total business-type activities	<u>(1,342,255)</u>	<u>(1,614,419)</u>	<u>(2,189,343)</u>	<u>(2,625,660)</u>	<u>(2,086,581)</u>	<u>(1,281,642)</u>	<u>(1,256,798)</u>	<u>(2,225,757)</u>	<u>(2,472,889)</u>	<u>(1,620,137)</u>
Total primary government	<u>\$ 4,507,933</u>	<u>\$ 4,034,891</u>	<u>\$ 3,232,500</u>	<u>\$ 3,243,100</u>	<u>\$ 2,646,487</u>	<u>\$ 2,984,719</u>	<u>\$ 2,960,433</u>	<u>\$ 3,894,772</u>	<u>\$ 2,626,921</u>	<u>\$ 3,011,475</u>
Change in Net Position										
Governmental activities	\$ (1,247,821)	\$ (2,029,532)	\$ (1,819,598)	\$ 731,793	\$ (1,347,340)	\$ (1,893,874)	\$ (850,976)	\$ 1,699,486	\$ 1,435,755	\$ 78,895
Business-type activities	2,025,091	93,578	2,080,476	1,928,480	1,350,672	989,773	2,476,798	1,256,957	1,971,442	3,051,620
Total primary government	<u>\$ 777,270</u>	<u>\$ (1,935,954)</u>	<u>\$ 260,878</u>	<u>\$ 2,660,273</u>	<u>\$ 3,332</u>	<u>\$ (904,101)</u>	<u>\$ 1,625,822</u>	<u>\$ 2,956,443</u>	<u>\$ 3,407,197</u>	<u>\$ 3,130,515</u>

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable	\$ 86,086	\$ 91,477	\$ 85,899	\$ 83,944	\$ 82,451	\$ 25,781	\$ -	\$ -	\$ 45,080	\$ 45,080
Committed	2,341,229	2,341,229	-	-	-	-	-	-	-	-
Unassigned (deficit)	(310,317)	85,949	268,432	506,330	727,425	641,742	444,959	322,647	518,895	842,635
Total general fund	\$ 2,116,998	\$ 2,518,655	\$ 354,331	\$ 590,274	\$ 809,876	\$ 667,523	\$ 444,959	\$ 322,647	\$ 563,975	\$ 887,715
All Other Governmental Funds										
Committed	\$ 1,017,678	\$ 943,576	\$ 3,257,475	\$ 2,927,248	\$ 2,177,953	\$ 2,602,230	\$ 3,891,067	\$ 7,343,233	\$ 4,105,139	\$ 3,169,902
Restricted	147,638	161,635	215,784	380,945	618,314	482,588	322,529	207,576	264,026	219,118
Total all other governmental funds	\$ 1,165,316	\$ 1,105,211	\$ 3,473,259	\$ 3,308,193	\$ 2,796,267	\$ 3,084,818	\$ 4,213,596	\$ 7,550,809	\$ 4,369,165	\$ 3,389,020
Total governmental fund balances	\$ 3,282,314	\$ 3,623,866	\$ 3,827,590	\$ 3,898,467	\$ 3,606,143	\$ 3,752,341	\$ 4,658,555	\$ 7,873,456	\$ 4,933,140	\$ 4,276,735

Large increase in fund balances during the 2008 year is due to new loans.
Source: Town financial reports

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Property taxes	\$ 3,497,276	\$ 3,004,848	\$ 2,574,536	\$ 2,342,060	\$ 2,024,737	\$ 2,128,117	\$ 1,900,363	\$ 1,743,747	\$ 1,138,746	\$ 1,157,148
Transfer taxes	844,960	619,310	417,320	512,265	361,336	561,542	669,914	1,051,590	962,133	1,534,963
Special assessment/impact fees	138,463	294,875	244,709	207,348	182,977	286,527	470,676	624,061	843,486	614,997
Charges for services	1,437,363	1,402,868	1,258,056	1,236,859	1,183,416	1,091,512	1,070,184	945,717	929,401	774,234
Intergovernmental	728,779	679,029	1,022,750	873,207	819,827	716,691	1,547,005	840,427	621,854	648,458
Licenses, fees, and permits	334,700	378,076	392,599	336,364	269,741	377,760	421,777	564,434	656,911	528,649
Fines and forfeits	44,542	142,462	123,365	214,892	130,298	87,287	62,553	85,312	76,161	86,770
Rentals	-	-	-	-	-	-	-	-	-	-
Franchise fees	187,919	181,844	169,336	193,997	146,203	143,993	132,249	125,903	116,124	105,001
Investment income	4,054	13,341	24,717	14,490	5,827	11,037	56,471	196,127	303,640	222,231
Miscellaneous	111,286	153,783	100,844	276,449	185,096	243,616	183,538	84,212	108,219	47,160
Total revenues	7,329,342	6,870,436	6,328,232	6,207,931	5,309,458	5,648,082	6,514,730	6,261,530	5,756,675	5,719,611
Expenditures										
General government	1,228,783	632,914	706,987	616,650	747,625	545,586	609,219	717,819	569,885	792,141
Public safety	4,039,236	4,054,080	4,023,807	3,698,123	3,495,209	3,661,984	3,253,942	3,474,587	3,204,640	3,124,268
Public works	2,330,086	2,272,942	2,397,179	2,393,101	2,030,731	1,814,602	1,661,782	1,894,852	1,833,994	1,550,562
Planning and inspection	577,503	572,085	555,314	633,328	730,730	695,978	631,693	790,029	838,069	743,044
Library	309,270	341,625	295,043	305,978	264,527	234,277	261,747	256,168	212,443	233,489
Culture and recreation	300,727	352,336	304,463	240,646	176,990	313,789	276,030	351,120	306,941	256,940
Business park	-	-	-	-	10,360	11,155	11,370	13,325	12,805	221,936
Neighborhood housing rehabilitation	-	427	335	568	-	-	1,592	-	6,895	50,106
Debt service:										
Principal	154,587	129,000	126,850	122,550	18,640	111,549	106,904	58,921	-	-
Interest	136,394	116,294	114,261	114,214	88,146	143,232	147,877	89,851	-	-
Bond issuance costs	-	-	-	-	66,515	-	-	-	-	-
Capital outlays	2,683,062	955,183	474,378	416,257	80,925	303,907	4,047,151	1,929,437	592,002	135,866
Total expenditures	11,759,648	9,426,886	8,998,617	8,541,415	7,710,398	7,836,059	11,009,307	9,576,109	7,577,674	7,108,352
Excess of revenues over (under) expenditures	(4,430,306)	(2,556,450)	(2,670,385)	(2,333,484)	(2,400,940)	(2,187,977)	(4,494,577)	(3,314,579)	(1,820,999)	(1,388,741)
Other Financing Sources (Uses)										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	2,710	3,382
Capital lease proceeds	66,405	-	-	-	-	-	-	624,367	-	-
Loan issuance	2,679,987	890,009	409,619	-	-	-	-	3,356,000	-	-
Bond issuance	-	-	-	-	3,275,000	-	-	-	-	-
Bond discount	-	-	-	-	(46,993)	-	-	-	-	-
Prepayment of note	-	-	-	-	(3,059,986)	-	-	-	-	-
Refund of prior year expenditures	2,263,353	4,345,977	2,961,419	3,042,322	2,498,977	2,414,739	22,399	46,375	-	-
Transfers in	(920,991)	(2,497,829)	(771,530)	(416,514)	(412,256)	(1,132,976)	(1,120,900)	(1,347,405)	2,812,575	1,684,600
Transfers out	4,088,754	2,738,157	2,599,508	2,625,808	2,254,742	1,281,763	1,279,676	6,254,895	(337,881)	(55,677)
Total other financing sources (uses)	(341,552)	181,707	(70,877)	292,324	(146,198)	(906,214)	(3,214,901)	2,940,316	656,405	243,564
Net change in fund balances										
Debt service as a percentage of noncapital expenditures	3%	3%	3%	3%	1%	3%	4%	2%	0%	0%

Source: Town financial reports

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>
2015	\$ 3,497,276	\$ 844,960	\$ 4,342,236
2014	3,004,848	619,310	3,624,158
2013	2,574,536	417,320	2,991,856
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

Notes

1) Property tax, tax rate of .4000 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

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
2015	\$1,022,316,578	\$ 121,898,795	\$ 900,417,783	\$ 0.40000	*
2014	1,000,444,154	122,005,645	878,438,509	0.36000	*
2013	998,111,246	121,725,765	876,385,481	0.31000	*
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	*

* = Information is not available

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

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

Fiscal Year	Overlapping Governments				
	Town of Smyrna	Total Direct Rate	Kent County	New Castle County	Smyrna School District
2015	0.40000	0.40000	0.30000	0.70060	1.14910
2014	0.36000	0.36000	0.30000	0.70060	1.12670
2013	0.31000	0.31000	0.30000	0.70060	1.01190
2012	0.29000	0.29000	0.30000	0.70060	1.01190
2011	0.25260	0.25260	0.30000	0.70180	0.99700
2010	0.25260	0.25260	0.31000	0.70180	1.00260
2009	0.25260	0.25260	0.25000	0.56140	1.18030
2008	0.25260	0.25260	0.25000	0.56140	1.07800
2007	0.17260	0.17260	0.25000	0.47780	1.06300
2006	0.17260	0.17260	0.25000	0.45500	1.02800

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

PRINCIPAL TAXPAYERS
 Current Year and Six Years Ago
 Unaudited

Taxpayer	2015			2009*		
	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	5.52%	\$ 49,683,100	1	6.14%
Liborio III, LP	29,111,326	2	3.23%	24,701,000	3	3.05%
Sunnyside Apartments	20,148,800	3	2.24%	-	**	0.00%
Worthington Properties, LLC	19,492,800	4	2.16%	24,701,000	4	3.05%
Smyrna Professional Properties	18,313,200	5	2.03%	19,341,000	7	2.39%
Smyrna Two LLC	14,487,500	6	1.61%	11,808,800	2	1.46%
Glenwood Associates, LLC	11,725,300	7	1.30%	11,720,300	8	1.45%
Brenford Holdings, LLC	7,985,860	8	0.89%	-	**	0.00%
Goldsborough Rd Dev LLC	7,023,790	9	0.78%	-	**	0.00%
KRM Development Corp.	6,889,500	10	0.77%	-	**	0.00%
Total	\$ 184,861,176		20.53%	\$ 141,955,200		17.54%

Source: Town of Smyrna Assessment Office

* Town has utilized the earliest available information

** Not in top ten

PROPERTY TAX LEVIES AND COLLECTIONS
 Last ten fiscal years ending December 31,
 Unaudited

Fiscal Year	Total Levy	Collected Within Fiscal Year of the Levy	Percentage of Levy	Collected in Subsequent Years	Total (1)	Percentage of Levy
2015	\$ 3,605,194	\$ 3,515,327	97.51%	\$ -	\$ 3,515,327	97.51%
2014	3,167,387	3,001,773	94.77%	138,129	3,139,902	99.13%
2013	2,753,382	2,595,641	94.27%	104,901	2,700,542	98.08%
2012	2,474,313	2,356,151	95.22%	101,977	2,458,128	99.35%
2011	2,157,403	2,052,853	95.15%	95,687	2,148,540	99.59%
2010	2,101,560	2,020,017	96.12%	81,498	2,101,515	100.00%
2009	2,083,419	1,878,779	90.18%	184,526	2,063,305	99.03%
2008	1,832,643	1,744,497	95.19%	68,829	1,813,326	98.95%
2007	1,201,226	1,077,386	89.69%	63,339	1,140,725	94.96%
2006	1,181,378	1,025,465	86.80%	87,696	1,113,161	94.23%

(1) Amount is net of discounts and penalties.

Source: Town financial reports

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	Capital Lease	Bonds	Loans	Bonds	Note			
2015	\$ 3,979,615	\$ 42,968	\$ 2,765,450	\$ 10,887,440	\$ 3,764,550	\$ -	\$ 21,440,023	0.33%	1,915
2014	1,299,628	-	2,896,600	10,378,587	3,938,400	-	18,513,215	0.28%	1,653
2013	409,619	-	3,025,600	8,161,433	4,109,400	-	15,706,052	0.25%	1,415
2012	-	-	3,152,450	6,913,276	4,277,550	-	14,343,276	0.24%	1,331
2011	-	-	3,275,000	5,977,177	4,440,000	-	13,692,177	0.23%	1,339
2010	3,078,626	-	-	8,179,630	-	-	11,258,256	0.20%	982
2009	3,190,175	-	-	7,188,123	-	-	10,378,298	0.19%	940
2008	3,297,079	-	-	7,494,976	-	-	10,792,055	0.20%	1,034
2007	-	-	-	7,790,770	-	-	7,790,770	0.16%	781
2006	-	-	-	2,539,381	-	4,644,000	7,183,381	0.15%	755

(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

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
*Last ten fiscal years ending December 31,
 Unaudited*

Fiscal Year	General Obligation Bonded Debt			Percentage of General Obligation Bonded Debt to Assessed Taxable Value of Property (1)	Per Capita (2)
	Bonds Payable	Capital Lease Payable	Loans Payable		
2015	\$ 2,765,450	\$ 42,968	\$ 3,979,615	0.75%	\$ 606
2014	2,896,600	-	1,299,628	0.48%	370
2013	3,025,600	-	409,619	0.39%	309
2012	3,152,450	-	-	0.37%	293
2011	3,275,000	-	-	0.38%	320
2010	-	-	3,078,626	0.37%	269
2009	-	-	3,190,175	0.39%	289
2008	-	-	3,297,079	0.46%	316
2007	-	-	-	0.00%	-
2006	-	-	-	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.

Note: This table includes all long-term general obligation bonded debt only. The Enterprise Funds have no general obligation debt.

Source: Town financial reports

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2015
 Unaudited

	General Obligation Debt Outstanding	Estimated Percentage Applicable to Town of Smyrna	Estimated Share of Overlapping Debt
Direct Debt			
Bonds Payable	\$ 2,765,450	100.00%	\$ 2,765,450
Capital Lease Payable	42,968	100.00%	42,968
Loans Payable	3,979,615	100.00%	3,979,615
Total direct debt	<u>6,788,033</u>		<u>6,788,033</u>
Overlapping debt (1)			
Kent County	4,524,126	0.62%	28,133
New Castle County	163,401,420	5.80%	9,477,282
Smyrna School District	21,304,335	88.19%	18,788,905
Total overlapping debt	<u>189,229,881</u>		<u>28,294,320</u>
Total direct and overlapping debt	<u>\$ 196,017,914</u>		<u>\$ 35,082,353</u>

Note:

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

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

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

Source: Town, County, and District Financial Reports

LEGAL DEBT MARGIN INFORMATION

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$ 40,519	\$ 39,530	\$ 39,437	\$ 38,376	\$ 38,358	\$ 37,603	\$ 36,435	\$ 32,266	\$ 29,672	\$ 30,695
Total net debt applicable to limit	21,440	18,513	15,706	14,343	13,692	11,258	10,378	10,792	7,791	7,183
Legal debt margin	<u>\$ 19,079</u>	<u>\$ 21,017</u>	<u>\$ 23,731</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	52.91%	46.83%	39.83%	37.37%	35.70%	29.94%	28.48%	33.45%	26.26%	23.40%
Total taxable assessment	\$ 900,418									
Debt limit percentage (1)	<u>4.50%</u>									
Debt limit	40,519									
Outstanding debt	21,440									
Legal debt margin	<u>\$ 19,079</u>									

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

PRINCIPAL EMPLOYERS INSIDE TOWN LIMITS AND SURROUNDING MUNICIPALITIES
 Current Year and Six Years Ago
 Unaudited

Employer	2015			2009*		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Walmart Distribution Center - Smyrna	700	1	26.02%	700	1	27.10%
Smyrna School District - Smyrna	664	2	24.68%	554	3	21.45%
Delaware Home & Hospital for the Chronically Ill - Smyrna	650	3	24.16%	650	2	25.16%
Eagle Group Metal Masters - Clayton	368	4	13.68%	368	4	14.25%
Hanover Foods - Clayton	213	5	7.92%	213	5	8.25%
Town of Smyrna - Smyrna	95	6	3.53%	98	6	3.79%
Total	2,690		99.99%	2,583		100.00%

* Earliest information available
 The Town has only listed employers in the Town of Smyrna and the neighboring municipality, Town of Clayton for information that is available.
 Source: Kent Economic Partnership, Inc., 2013 Kent County Major Employers Report, Town Records

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)
2015	11,197	\$ 6,555,078,000	\$ 38,114	4.60%	5,279
2014	11,330	6,555,078,000	38,114	4.60%	5,235
2013	11,100	6,252,316,000	36,905	6.00%	5,173
2012	10,774	6,102,946,000	36,427	7.30%	5,116
2011	10,228	5,884,380,000	35,622	7.20%	4,981
2010	11,463	5,595,315,000	34,344	8.10%	4,853
2009	11,040	5,496,591,000	34,336	7.90%	4,657
2008	10,435	5,279,602,000	33,431	4.70%	4,853
2007	9,975	4,983,349,000	32,366	3.40%	4,460
2006	9,513	4,689,422,000	31,325	3.20%	4,230

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 2014 personal income and per capita personal income information for both 2014 and 2015, since this information is unavailable from the data source.

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

Function/Department	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government - Administration	17.00	16.00	16.00	14.00	14.00	14.00	14.00	15.00	14.00	13.00
Public Safety - Police	29.00	29.00	28.00	30.00	29.00	29.00	29.00	29.00	29.00	27.00
Public Works	12.00	13.00	13.00	13.00	12.00	11.00	11.00	14.00	12.00	11.00
Planning and Inspection	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	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	3.00	3.00	2.00	1.00	1.00	1.00	3.00	3.00	2.00	2.00
General Fund Total	69.00	69.00	67.00	66.00	65.00	64.00	66.00	70.00	65.00	61.00
Public Utilities	7.00	8.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00	8.00
Electric Fund Total	7.00	8.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00	8.00
Public Utilities	4.00	3.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Water and Sewer Fund Total	4.00	3.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Total Staff	80.00	80.00	79.00	78.00	77.00	77.00	79.00	82.00	77.00	72.00

Source: Town Financial Records

OPERATING INDICATORS BY FUNCTION
Last ten fiscal years ending December 31,
Unaudited

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public Safety										
Calls for service	18,431	16,810	19,743	21,079	21,383	16,952	20,087	22,099	22,755	20,270
Criminal arrests	943	1,065	712	523	1,572	2,318	1,700	1,788	1,545	1,449
DUI arrests	68	81	98	110	96	70	122	140	*	*
Traffic warnings	1,004	1,321	2,447	2,433	2,503	1,707	2,012	2,107	*	*
Traffic arrests	2,211	2,670	3,747	4,240	3,084	3,084	3,286	4,955	3,237	2,751
Planning and Inspection										
Total fees collected for construction (1)	882,547	900,689	704,287	695,521	490,514	1,018,701	1,377,629	1,766,180	2,402,583	1,439,840
Construction inspections (2)	1,085	820	801	728	703	1,156	1,469	1,751	1,861	1,741
Building permits issued	389	272	312	324	341	497	582	610	581	589
Smyrna Public Library										
Number of registered borrowers	8,434	7,687	7,723	8,303	7,617	17,832	9,376	9,376	7,335	14,525
Attendance per year	88,025	84,713	87,432	89,411	82,987	81,722	82,127	78,895	69,731	61,071
Actual circulation	116,193	95,599	90,183	90,148	73,823	66,111	58,934	38,415	38,468	47,474
Number of books	24,312	21,824	23,843	23,751	21,566	26,254	22,149	20,246	22,132	22,838
Water										
Gallons billed	268,717,000	274,956,000	274,731,000	269,930,000	288,823,000	321,210,219	283,572,474	273,431,231	256,052,000	264,147,000
Connections	4,822	4,755	4,671	4,305	3,789	3,789	3,789	3,789	3,789	3,789
Electric										
Usage (kwh)	105,293,047	100,071,045	100,567,144	99,707,000	98,052,000	98,762,000	90,195,000	88,591,000	87,693,000	81,690,000
Culture and Recreation										
Major parks	2	2	2	2	2	2	2	2	2	2
Small parks	3	3	3	3	3	3	3	3	3	3

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.

Decrease in 2013 is due to the opening of the new Dover Public Library.

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.

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

June 10, 2016

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smyrna ("the Town"), Smyrna, Delaware as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 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's financial statements are free from 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 control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

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June 10, 2016

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 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 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

Opinion on the Major Federal Program

In our opinion, 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 its major federal program for the year ended December 31, 2015.

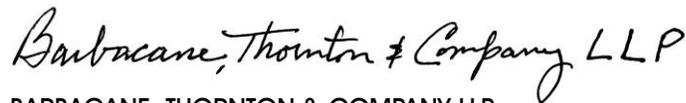
Report on Internal Control Over Compliance

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 the 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 the Uniform Guidance, 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


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*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance under the Uniform Guidance?

Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.766

Community Facilities Loans and Grants

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

\$750,000

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

None.

**TOWN OF SMYRNA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>FEDERAL GRANTOR PROJECT TITLE</u>	<u>SOURCE CODE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S Department of Agriculture</u>				
Water and Waste Disposal Systems for Rural Communities	D	10.760	N/A	<u>\$ 235,214</u>
Community Facilities Loans and Grants	D	10.766	N/A	<u>2,679,987</u>
Rural Business Enterprise Grants	D	10.769	N/A	<u>26,000</u>
Rural Economic Development Loans and Grants	D	10.854	N/A	<u>300,000</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>3,241,201</u>
<u>U.S. Department of Justice</u>				
<u>Criminal Division</u>				
Equitable Sharing Project	D	16.922	N/A	<u>42,161</u>
TOTAL U.S. DEPARTMENT OF JUSTICE				<u>42,161</u>
<u>U.S. Environmental Protection Agency</u>				
<u>Passed through Delaware Department of Natural Resources and Environmental Control</u>				
Capitalization Grants for Clean Water State Revolving Funds	I	66.458	DNREC	<u>612,820</u>
Capitalization Grants for Drinking Water State Revolving Funds	I	66.468	3012CS	<u>50,265</u>
Capitalization Grants for Drinking Water State Revolving Funds Total CFDA #66.468	I	66.468	LN 210.67	<u>103,115</u> <u>153,380</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY				<u>766,200</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 4,049,562</u>

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.

NOTE C INDIRECT COST RATE

The Town has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance. For the year ended December 31, 2015, there were no indirect costs included in the schedule of expenditures of federal awards.

