



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2016

Prepared by:

Gary F. Stulir, Chief Financial Officer and Acting Town Manager

Business Office Staff

INTRODUCTORY SECTION



TOWN OF SMYRNA

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	1
Letter of Transmittal	5
GFOA Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year Ended December 31, 2015	13
List of Elected and Appointed Officials	14
Town of Smyrna Organizational Chart	15
FINANCIAL SECTION	
Independent Auditor's Report	16
Management's Discussion and Analysis (Unaudited)	19
Basic Financial Statements	
<i>Entity-wide Financial Statements</i>	
Statement of Net Position	30
Statement of Activities	31
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	32
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	33
Statement of Revenues, Expenditures, and Changes in Fund Balances	34
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	35
Budgetary Comparison Statement - General Fund	36

TOWN OF SMYRNA

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION (cont'd)	
<i>Proprietary Funds</i>	
Statement of Net Position	37
Statement of Revenues, Expenses, and Changes in Net Position	38
Statement of Cash Flows	39
<i>Fiduciary Funds</i>	
Statements of Fiduciary Net Position	40
Statements of Changes in Fiduciary Net Position	41
Notes to the Financial Statements	42
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Town's Net Pension Liability, Related Ratios, and Investment Returns - Police Pension Plan	97
Schedule of Changes in the Town's Net Pension Liability, Related Ratios, and Investment Returns - Employee Pension Plan	98
Schedule of the Town's Proportionate Share of the Net Pension Liability - County and Municipal Police and Firefighters' Pension Plan	99
Schedule of the Town's Proportionate Share of the Net Pension Liability - County and Municipal Other Employees' Pension Plan	100
Schedule of Employer Contributions - Police Pension Plan	101
Notes to Schedule of Employer Contributions - Police Pension Plan	101
Schedule of Employer Contributions - Employee Pension Plan	102
Notes to Schedule of Employer Contributions - Employee Pension Plan	102
Schedule of Town Contributions - County and Municipal Police and Firefighters' Pension Plan	103
Schedule of Town Contributions - County and Municipal Other Employees' Pension Plan	104

TOWN OF SMYRNA

TABLE OF CONTENTS

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION (cont'd)	
Schedule of Funding Progress - Post-Employment Healthcare Benefits - Town Employees and Police	105
Schedule of Annual Employer Cost - Post-Employment Healthcare Benefits - Town Employees and Police	105
SUPPLEMENTARY INFORMATION SECTION	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	107
<i>Fiduciary Funds</i>	
Combining Statement of Net Position	108
Combining Statement of Changes in Net Position	109
STATISTICAL SECTION (Unaudited)	
Net Position	110
Changes in Net Position	111
Fund Balances of Governmental Funds	113
Changes in Governmental Fund Balances	114
Real Estate Tax Revenue by Source - Governmental Funds	115
Assessed Value and Estimated Actual Value of Taxable Property	116
Property Tax Rates - All Overlapping Governments	117
Principal Taxpayers	118
Property Tax Levies and Collections	119
Ratios of Outstanding Debt by Type	120

TOWN OF SMYRNA

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION (cont'd)	
Ratios of General Bonded Debt Outstanding	121
Direct and Overlapping Governmental Activities Debt	122
Legal Debt Margin Information	123
Principal Employers Inside Town Limits and Surrounding Municipalities	124
Demographic and Economic Statistics	125
Full-Time Equivalents (FTE) Employees	126
Operating Indicators by Function	127
Capital Asset Information	128
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 <i>Government Auditing Standards</i>	129
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	131
Schedule of Findings and Recommendations	134
Schedule of Expenditures of Federal Awards	137
Notes to Schedule of Expenditures of Federal Awards	138
Management's Response to Finding and Recommendation	139

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 auditor.

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

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 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. Its historic small town atmosphere and its great pride in its quality of life and educational system make it highly desirable for families and homeowners. The Town 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 the Town 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 the Town 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 11,147 as of December 2016. 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 55+, increasing personal incomes, and a consistently high home ownership rate.

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

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 101 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. ("Citizens' Hose Company") are not a part of this report. The Citizens' Hose Company responds to over 400 alarms and accidents every year and are capable of handling most fire and rescue needs. The Town is served by a volunteer ambulance service operated by the American Legion ("the 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 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 Bay Health 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 Smyrna School 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 in each year, adopt a budget for the succeeding fiscal year. This annual budget serves as the foundation for the Town'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 21 sworn officers and nine civilian employees, as well as 24-hour emergency police dispatching. In order to deal with specialized law enforcement situations, the department has several highly trained units such as K-9 unit, School Resource Officer, DARE Officer, Special Investigation Unit, Tactical Team, Motorcycle Patrol Unit, and Bicycle Patrol Unit.

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

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.

The Smyrna Public Library, the oldest library in Kent County, first established in 1858 and recently celebrating 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, Bay Health 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.

The current unemployment rate within Kent County was reported at 4.0 percent as compared to 4.6 percent in the prior year and is slightly lower than the State's unemployment rate of 4.4 percent.

While new construction continued during the fiscal year, construction fees received decreased by less than one percent from the prior year. The Town issued approximately 642 building permits with a construction value of approximately \$18.7 million.

Several new residential subdivisions continue to build or are 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.

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 Painted Stave Distillery, Blue Earl Brewery, construction of a new tractor supply farm and home center, Brickworks Brew Pub and Eats, Yarn Maven, Beautiful Provisions, Dairy Sweet, Slate Cafe, Smyrna Music Garden, and a number of other retail, medical/professional, and service businesses.

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

Coming soon is a new grocer (Lidl USA - one of their first USA-based stores), 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.

In 2016, the Town was officially designated as a Downtown Development District (“DDD”), a program that is administered by the Delaware State Housing Authority. As such, property and business owners are eligible for state grant funding for up to 20 percent of their construction costs to subsidize their commercial and residential qualified real property investments within the DDD. Private reinvestment since the designation of the DDD is estimated at approximately \$1,500,000.

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 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.

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; any pre-funded amounts over the required contributions must be approved by the Town Council annually.

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

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. In addition, 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

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

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 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'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 complete a water project under the "stimulus" program. These projects were completed by 2013.

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 wastewater system. Town Council approved an increase in this borrowing by \$1,200,000 in 2016. 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. Both projects were substantially underway by the end of 2013 and should be on-line in 2017. The Town was also 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.

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. In 2016, about 20-25 percent of the total volume of trash was 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 the 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 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 citizens-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 was completed in April 2016.

In 2014, Town Council reauthorized the Smyrna Slum Clearance and Redevelopment Fund ("RDF") 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 business reinvestment and was the first such grant awarded in the State of Delaware. The funds supported a

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

\$300,000 ten-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 (RBEF program) to support further development of marketing strategies for the community. The Town is poised to establish small business lending practices in the future in support of emerging and expanding Smyrna businesses using proceeds from the USDA loan program.

The Town is an active member of the Greater Kent Committee, the Kent County Economic Development Roundtable, and the Central Delaware Chamber of Commerce. Through its Economic Development Roundtable, 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 Smyrna's economy and viability.

Accounting System and Budgetary Control

All governmental funds utilize the modified accrual basis of accounting with revenue being recorded when susceptible to accrual, both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on general long-term debt, which is recognized when due. Financial statements for the Proprietary Fund are maintained on the accrual basis of accounting, with revenue recognized when earned and expenses recorded when incurred.

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements; and (3) maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost and benefits requires 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.

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 for the fiscal year ended December 31, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable requirements. This is the seventh time Smyrna has been recognized by the GFOA.

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

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

The completion of this CAFR represents the eighth time the Town has prepared such a report and demonstrates a commitment by the Town to continue its 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 Council for their cooperation and outstanding assistance in matters pertaining to the financial affairs of the Town.



Gary F. Stulir
Chief Financial Officer and Acting 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, 2015

Executive Director/CEO

TOWN OF SMYRNA

List of Elected and Appointed Officials

December 31, 2016

Elected Officials

Joanne Masten
Peter Retzlaff
Alvin C. Pope
Valerie M. White
Robert Johnson
John Embert
Andrea Rodriguez

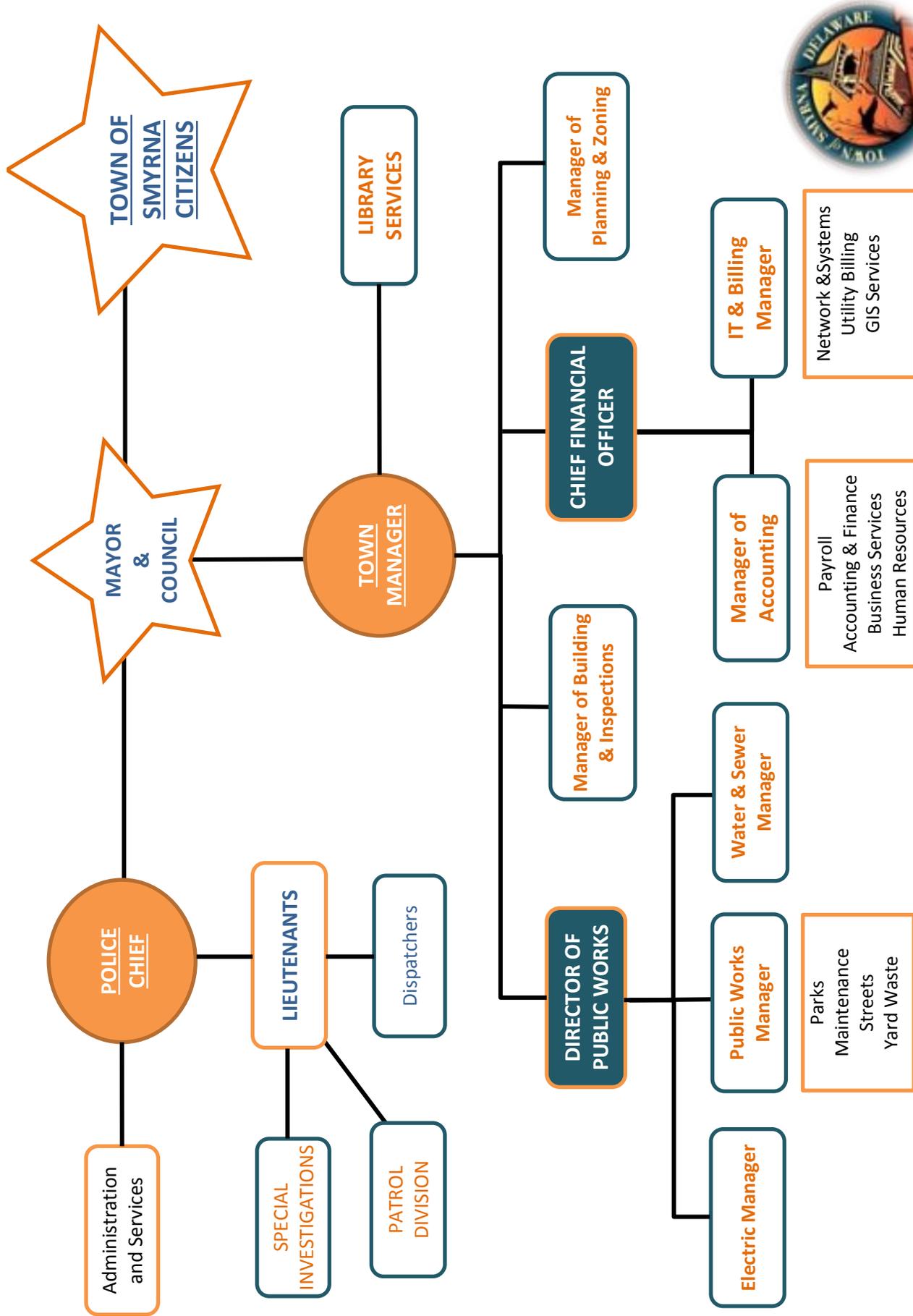
Mayor
Vice Mayor – District 1
Council Member – District 2
Council Member – District 3
Council Member – District At-Large
Council Member – District At-Large
Council Secretary – District At-Large

Appointed Officials

Gary F. Stulir
Norman Wood
John T. Jaywork

Acting Town Manager
Police Chief
Attorney

TOWN OF SMYRNA ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

July 11, 2017

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 ("the Town"), Smyrna, Delaware, as of and for the year ended December 31, 2016, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2016, 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 2015 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 June 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

During 2016, the Town adopted GASB Statement No. 72, "Fair Value Measurement and Application." This statement improves the disclosures related to the Town's investments. 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 19 - 29; the schedules of changes in the Town's net pension liability, related ratios, and investment returns – pension funds; the schedules of employer contributions – pension funds; the schedule of funding progress – post-employment healthcare benefits; the schedule of annual employer cost – post-employment healthcare benefits, and the notes to the required supplementary information on pages 97 - 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and Town Council
Town of Smyrna

Other Information

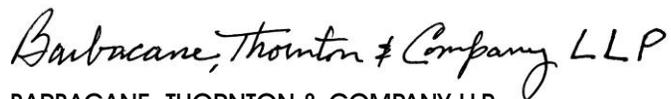
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining nonmajor governmental fund financial statements, combining fiduciary fund financial statements, and statistical 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 the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 the 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 July 11, 2017 on our consideration of the Town'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's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2016**

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, 2016. 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 63 percent of total revenues, and program revenues accounted for 37 percent of total revenues (prior year, 60 percent and 40 percent, respectively). Total revenues decreased primarily due to the estimated value of developer infrastructure contributions in 2015 that did not take place in 2016.
- In the governmental activities, current total expenses decreased from \$11,024,929 in 2015 to \$10,396,770 in 2016. This represents a six percent decrease. The decrease was primarily due to a reduction of public works maintenance expenses paid for by the municipal street aid fund and a significant reduction in other post-employment healthcare costs for the Town's active police officers since part of this obligation has been transferred to the Delaware Public Employee Retirement System.
- Total revenues in the Town's General Fund increased from \$7,032,435 in 2015 to \$7,608,695 in 2016. This represents approximately an eight percent increase. The increase is primarily attributed to an increase in transfer taxes brought about by an increase in the sale of real estate, impact fees, and planning and zoning fees related to construction activity and an increase in miscellaneous revenues due to rental income from a new rental agreement signed in late 2015.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,848,573, which is a decrease from the prior year balance of \$3,282,314. This decrease is primarily due to transfers out related to capital asset construction and debt service expenditures.
- As of the end of the current fiscal year, the Town's business-type activities reported a net position of \$31,341,360, an increase of \$447,335 as compared to the prior year. The current year increase in net position can be attributed primarily due to transfers in related to capital assets and increases in revenues related to water and sewer user fee rate increases.
- The Town implemented GASB Statement No. 68 in 2015, "Accounting and Financial Reporting for Pensions," which 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 \$6,624,585 and \$4,705,428 at December 31, 2016 and December 31, 2015, respectively.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016**

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016**

The entity-wide financial statements can be found on pages 30 and 31 of this report.

Fund Financial Statements. The fund financial statements provide more detailed information about the Town's funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds: Most of the Town's basic services are included in Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-wide financial statements, Governmental Fund financial statements focus on *short-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 32 to 36 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 Fund ("RDF"). 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, 2016**

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 RDF is considered a nonmajor fund.

The basic Proprietary Fund financial statements can be found on pages 37 to 39 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 40 and 41 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 42 to 96 of this report.

Required Supplementary Information. The required supplementary information presents information detailing the net pension liability, investment returns, and related ratios and other information about the funded status of each of the pension plans the Town participates in. In addition, it provides information regarding the funded status and contributions of the Town's other post-employment benefit plans.

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 106 to 109 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39,833,308 at the close of the most recent calendar year. The table below summarizes the net position of the Town at December 31, 2016 and 2015.

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 4,804,046	\$ 5,120,111	\$ 6,242,710	\$ 5,244,639	\$11,046,756	\$10,364,750
Capital assets	24,454,881	23,973,489	46,291,084	43,422,038	70,745,965	67,395,527
Total Assets	29,258,927	29,093,600	52,533,794	48,666,677	81,792,721	77,760,277

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016**

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<i>(cont'd)</i>						
Deferred Outflows of Resources	1,502,645	766,845	905,480	309,402	2,408,125	1,076,247
Liabilities:						
Long-term liabilities	19,893,291	14,649,605	17,533,736	14,349,383	37,427,027	28,998,988
Other liabilities	2,003,498	5,348,109	4,538,625	3,700,595	6,542,123	9,048,704
Total Liabilities	<u>21,896,789</u>	<u>19,997,714</u>	<u>22,072,361</u>	<u>18,049,978</u>	<u>43,969,150</u>	<u>38,047,692</u>
Deferred Inflows of Resources	372,835	35,952	25,553	32,076	398,388	68,028
Net Position:						
Net investment in capital assets	16,902,771	17,185,456	29,772,917	28,770,048	46,675,688	45,955,504
Restricted	320,204	147,638	1,029,995	897,161	1,350,199	1,044,799
Unrestricted (deficit)	<u>(8,731,027)</u>	<u>(7,506,315)</u>	<u>538,448</u>	<u>1,226,816</u>	<u>(8,192,579)</u>	<u>(6,279,499)</u>
TOTAL NET POSITION	<u>\$ 8,491,948</u>	<u>\$ 9,826,779</u>	<u>\$31,341,360</u>	<u>\$30,894,025</u>	<u>\$39,833,308</u>	<u>\$40,720,804</u>

By far, the largest portion of the Town's net position reflects its net investment in capital assets (e.g. land, construction-in-progress, buildings and improvements, 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 decreased by \$887,496 during the current year.

Governmental Activities. Governmental activities decreased the Town's net position by \$1,334,831. The reduction in net position is due to the estimated value of developer infrastructure contributions in 2015 that did not take place in 2016.

Business-type Activities. Business-type activities increased the Town's net position by \$447,335. The current year increase in net position can be attributed primarily due to transfers in related to capital assets and increases in revenues related to water and sewer user fee rate increases.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016**

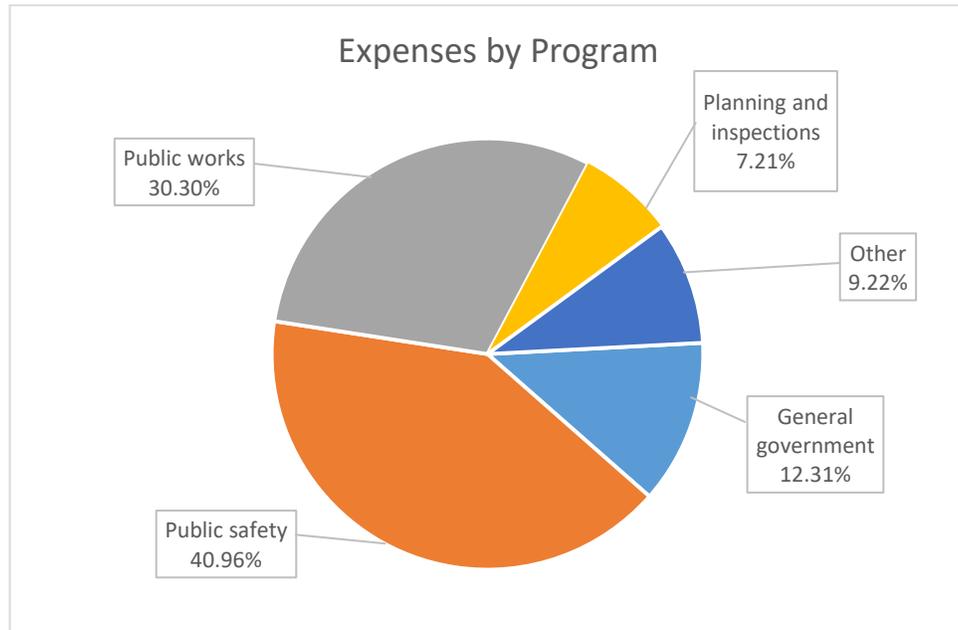
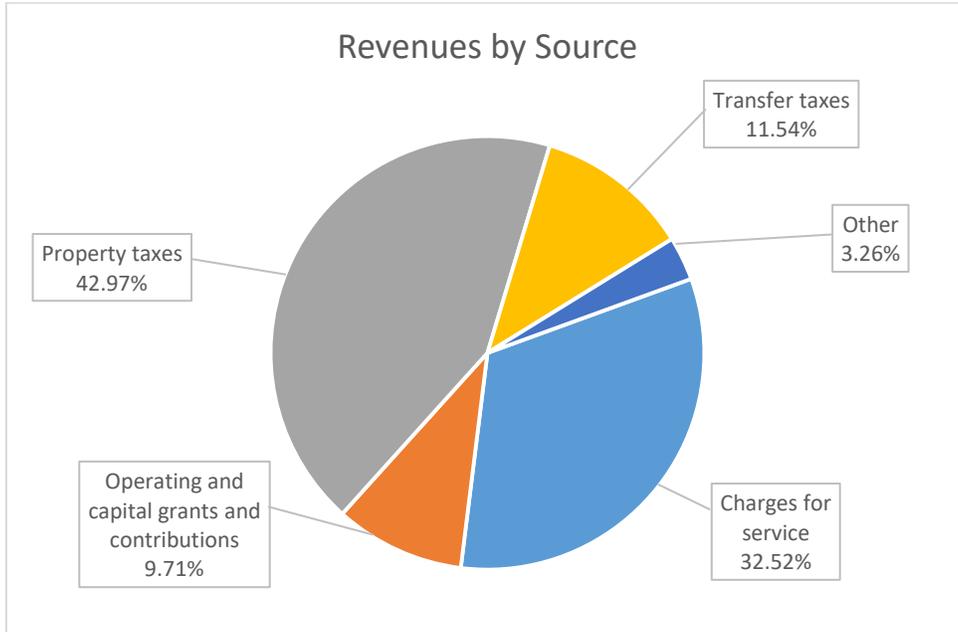
Changes in the net position of the Town are highlighted in the table presented below.

STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues:						
Charges for services	\$ 2,615,918	\$ 2,077,686	\$18,305,009	\$17,762,248	\$20,920,927	\$19,839,934
Operating grants and contributions	642,231	690,509	-	300,000	642,231	990,509
Capital grants and contributions	138,995	1,158,725	115,974	1,309,807	254,969	2,468,532
General revenues:						
Property taxes	3,456,413	3,447,544	-	-	3,456,413	3,447,544
Transfer taxes	928,231	844,960	-	-	928,231	844,960
Franchise fees	191,544	187,919	-	-	191,544	187,919
Investment earnings	20,335	4,054	100	107	20,435	4,161
Other	49,223	23,349	-	-	49,223	23,349
TOTAL REVENUES	8,042,890	8,434,746	18,421,083	19,372,162	26,463,973	27,806,908
EXPENSES						
General government	1,280,321	1,443,523	-	-	1,280,321	1,443,523
Public safety	4,258,409	5,135,076	-	-	4,258,409	5,135,076
Public works	3,149,760	2,979,424	-	-	3,149,760	2,979,424
Planning and inspection	749,516	633,705	-	-	749,516	633,705
Library	376,293	341,392	-	-	376,293	341,392
Culture and recreation	407,472	355,338	-	-	407,472	355,338
Interest on long-term debt	174,999	136,471	-	-	174,999	136,471
Electric	-	-	12,880,809	12,327,624	12,880,809	12,327,624
Water/sewer	-	-	4,063,515	3,664,416	4,063,515	3,664,416
Smyrna slum clearance RDF	-	-	10,375	12,669	10,375	12,669
TOTAL EXPENSES	10,396,770	11,024,929	16,954,699	16,004,709	27,351,469	27,029,638
Change in net position before transfers	(2,353,880)	(2,590,183)	1,466,384	3,367,453	(887,496)	777,270
Transfers	1,019,049	1,342,362	(1,019,049)	(1,342,362)	-	-
CHANGE IN NET POSITION	(1,334,831)	(1,247,821)	447,335	2,025,091	(887,496)	777,270
NET POSITION, BEGINNING OF YEAR	9,826,779	11,074,600	30,894,025	28,868,934	40,720,804	39,943,534
NET POSITION, END OF YEAR	\$ 8,491,948	\$ 9,826,779	\$31,341,360	\$30,894,025	\$39,833,308	\$40,720,804

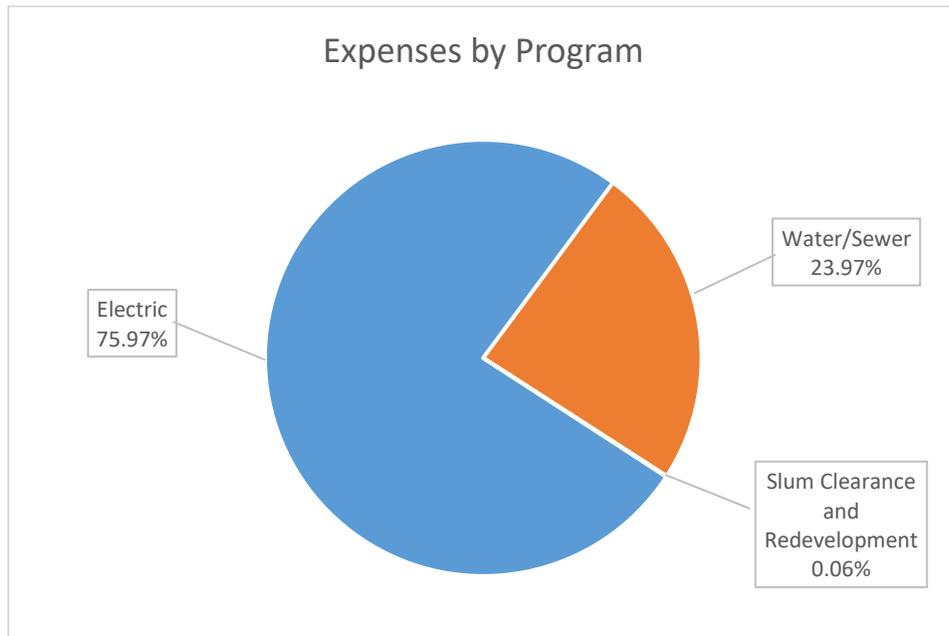
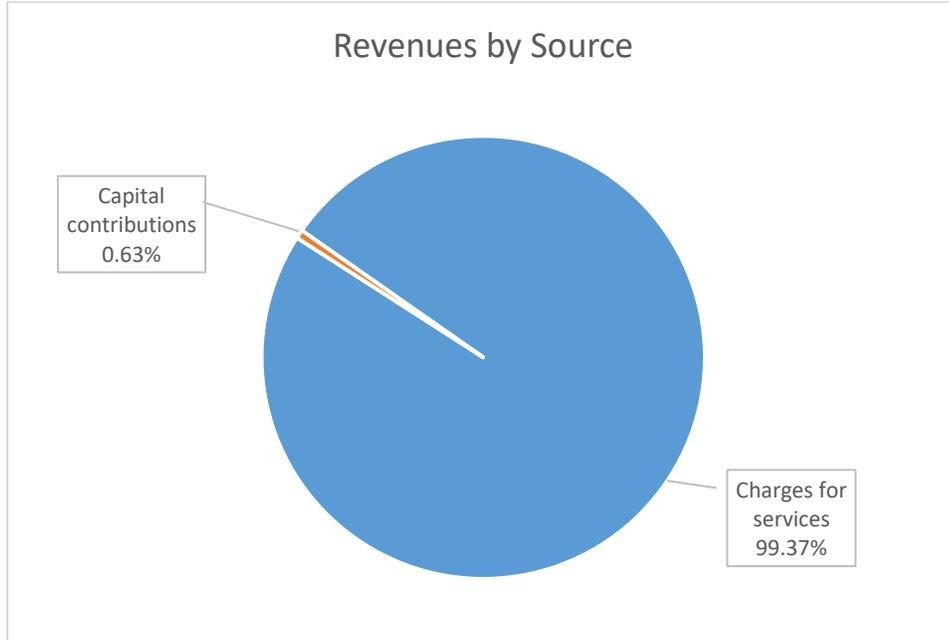
**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016**

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, 2016**

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, 2016**

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 \$2,848,573. The primary component of this figure is the fund balance of the General Fund at \$2,026,314, of which \$1,990,952 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 \$2,026,314, of which a deficit of \$53,232 was considered unassigned.

The fund balance of the Town's General Fund decreased by \$90,684 during the current calendar year. This is mostly due to an increase in transfers out to the capital improvement fund.

The fund balance of the Town's Capital Improvement Fund decreased by \$515,623 during the current calendar year. This decrease is primarily due to an increase in debt service requirements and transfers out related to capital projects to the Water and Sewer Fund.

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 RDF at the end of the year amounted to \$538,448. The change in net position for the Electric Fund was a decrease of \$150,190, an increase in the Water and Sewer Fund of \$572,737, and an increase in the RDF fund of \$24,788. 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 36. A summary of variations between budget amounts and actual results is as follows:

- Budgeted revenues exceeded actual revenues by \$840,595 primarily due to receiving more in transfer taxes, impact fees, and grant revenues than was anticipated and budgeted for.
- Actual expenditures were \$147,980 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, 2016**

During 2016, the Town amended appropriations for its general government, public safety, and culture and recreation activities based on revised expectations of future expenditures. These amendments resulted in a decrease in budgeted expenditures of \$63,000. 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, 2016 amounts to \$70,745,965 (net of accumulated depreciation). The following table shows the breakdown of this figure.

	CAPITAL ASSETS (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,740,874	\$ 1,366,550	\$ 430,952	\$ 421,252	\$ 2,171,826	\$ 1,787,802
Construction-in-progress	-	4,059,197	7,080,745	4,243,949	7,080,745	8,303,146
Land improvements	234,459	259,237	-	-	234,459	259,237
Buildings and improvements	9,922,398	5,224,826	2,262,538	2,325,429	12,184,936	7,550,255
Infrastructure	11,623,785	12,231,719	35,491,092	36,033,883	47,114,877	48,265,602
Machinery and equipment	933,365	831,960	1,025,757	397,525	1,959,122	1,229,485
	<u>\$24,454,881</u>	<u>\$23,973,489</u>	<u>\$46,291,084</u>	<u>\$43,422,038</u>	<u>\$70,745,965</u>	<u>\$67,395,527</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 \$911,371.
- Purchase of a property for future library improvements totaling \$357,035.

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

- North of Duck Creek utility infrastructure extensions totaling \$2,562,201.
- Sewer truck totaling \$339,520.
- General electrical installation costs due to continued growth in Smyrna totaling \$632,861.
- 2015 International Versalift Truck totaling \$255,495.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2016**

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

	OUTSTANDING DEBT	
	Bonds and Loans Payable	
	2016	2015
Governmental activities	\$ 7,530,000	\$ 6,745,065
Business-type activities	16,491,840	14,651,990
TOTAL	\$ 24,021,840	\$ 21,397,055

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 \$40,966,000 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 2017 budget in December 2016. This budget totaled \$7,032,800 in revenues and \$9,267,250 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 four percent and an increase in budgeted expenditures of four percent. Property tax rates for 2017 will remain the same at \$0.4000 cents per \$100 of assessed value. The Water and Sewer fund user fee rates will remain the same as in 2016.

- The majority of the Town's city limits are in Kent County, whose unemployment rate for the County was reported at 4.0 percent in December 2016. The State's unemployment rate was reported at 4.4 percent.

- The Town's total population at December 2016 is currently estimated at 11,147, 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 Chief Financial Officer, Town of Smyrna, P.O. Box 307, 27 South Market Street Plaza, Smyrna, DE 19977.

TOWN OF SMYRNA
STATEMENT OF NET POSITION
DECEMBER 31, 2016
(With Summarized Comparative Data for December 31, 2015)

	Governmental	Business-type	Totals	
	Activities	Activities	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 200,590	\$ 408,018	\$ 608,608	\$ 1,150,679
Investments	3,483,306	7,489	3,490,795	3,706,734
Taxes receivable	274,358	-	274,358	204,923
Accounts receivable	348,818	1,960,910	2,309,728	2,068,320
Grants receivable	394,832	-	394,832	706,319
Loan receivable	-	30,000	30,000	25,000
Inventory	25,927	643,357	669,284	676,560
Due from other governments	-	2,144,854	2,144,854	721,646
Prepaid expenses	62,667	23,607	86,274	85,019
Restricted Assets:				
Meter deposits	-	758,613	758,613	710,400
Total Current Assets	<u>4,790,498</u>	<u>5,976,848</u>	<u>10,767,346</u>	<u>10,055,600</u>
Noncurrent Assets:				
Prepaid insurance costs	13,548	18,362	31,910	34,150
Loan receivable	-	247,500	247,500	275,000
Capital assets, net:				
Land	1,740,874	430,952	2,171,826	1,787,802
Construction-in-progress	-	7,080,745	7,080,745	8,303,146
Land improvements	234,459	-	234,459	259,237
Buildings and improvements	9,922,398	2,262,538	12,184,936	7,550,255
Infrastructure	11,623,785	35,491,092	47,114,877	48,265,602
Machinery and equipment	933,365	1,025,757	1,959,122	1,229,485
Total Noncurrent Assets	<u>24,468,429</u>	<u>46,556,946</u>	<u>71,025,375</u>	<u>67,704,677</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	1,502,645	905,480	2,408,125	1,076,247
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 30,761,572</u>	<u>\$ 53,439,274</u>	<u>\$ 84,200,846</u>	<u>\$ 78,836,524</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 873,917	\$ 1,635,122	\$ 2,509,039	\$ 1,643,881
Accrued salaries and benefits	145,398	186,592	331,990	106,078
Accrued interest	34,067	70,251	104,318	101,558
Developer deposits	340,509	25,593	366,102	518,749
Other liability	-	97,398	97,398	212,002
Unearned revenue	395,999	407,334	803,333	505,108
Bonds payable	137,600	182,400	320,000	315,000
Loans payable	-	1,154,361	1,154,361	4,848,135
Capital lease payable	22,110	9,103	31,213	20,858
Accrued compensated absences	53,898	11,858	65,756	66,935
Current Liabilities Payable from Restricted Assets:				
Meter deposits	-	758,613	758,613	710,400
Total Current Liabilities	<u>2,003,498</u>	<u>4,538,625</u>	<u>6,542,123</u>	<u>9,048,704</u>
Noncurrent Liabilities:				
Portions due or payable after one year:				
Accrued compensated absences	485,086	106,716	591,802	602,417
Post-employment benefits	6,968,040	677,897	7,645,937	7,435,113
Bonds payable	2,492,400	3,402,600	5,895,000	6,215,000
Loans payable	4,900,000	11,752,479	16,652,479	10,018,920
Capital lease payable	-	17,224	17,224	22,110
Net pension liability	5,047,765	1,576,820	6,624,585	4,705,428
Total Noncurrent Liabilities	<u>19,893,291</u>	<u>17,533,736</u>	<u>37,427,027</u>	<u>28,998,988</u>
TOTAL LIABILITIES	<u>21,896,789</u>	<u>22,072,361</u>	<u>43,969,150</u>	<u>38,047,692</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	372,835	25,553	398,388	68,028
NET POSITION				
Net investment in capital assets	16,902,771	29,772,917	46,675,688	45,955,504
Restricted for police	66,073	-	66,073	85,488
Restricted for public works	254,131	-	254,131	62,150
Restricted for capital projects	-	729,995	729,995	597,161
Restricted for rural economic development	-	300,000	300,000	300,000
Unrestricted (deficit)	(8,731,027)	538,448	(8,192,579)	(6,279,499)
TOTAL NET POSITION	<u>8,491,948</u>	<u>31,341,360</u>	<u>39,833,308</u>	<u>40,720,804</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 30,761,572</u>	<u>\$ 53,439,274</u>	<u>\$ 84,200,846</u>	<u>\$ 78,836,524</u>

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

TOWN OF SMYRNA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Data for the Year Ended December 31, 2015)

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Totals
GOVERNMENTAL ACTIVITIES						
General government	\$ 1,280,321	\$ 13,000	\$ -	\$ (692,855)	\$ -	\$ (1,224,693)
Public safety	4,258,409	281,649	-	(3,847,075)	-	(4,668,875)
Public works	3,149,760	251,282	138,995	(1,361,970)	-	(239,753)
Planning and inspection	749,516	-	-	(344,669)	-	(313,105)
Library	376,293	96,300	-	(170,586)	-	(160,274)
Culture and recreation	407,472	-	-	(407,472)	-	(354,838)
Interest on long-term debt	174,999	-	-	(174,999)	-	(136,471)
TOTAL GOVERNMENTAL ACTIVITIES	10,396,770	642,231	138,995	(6,999,626)	-	(7,098,009)
BUSINESS-TYPE ACTIVITIES						
Electric	12,880,809	-	115,974	-	1,542,644	2,182,187
Water/Sewer	4,063,515	-	-	-	(101,148)	859,227
Slum clearance and redevelopment	10,375	-	-	-	24,788	325,932
TOTAL BUSINESS-TYPE ACTIVITIES	16,954,699	-	115,974	-	1,466,284	3,367,346
TOTAL PRIMARY GOVERNMENT	\$ 27,351,469	\$ 642,231	\$ 254,969	(6,999,626)	1,466,284	(3,730,663)
GENERAL REVENUES						
Real estate taxes				3,456,413	-	3,447,544
Real estate transfer taxes				928,231	-	844,960
Franchise fees				191,544	-	187,919
Investment earnings				20,335	100	4,161
Miscellaneous				49,223	-	23,349
Transfers				1,019,049	(1,019,049)	-
TOTAL GENERAL REVENUES AND TRANSFERS				5,664,795	(1,018,949)	4,507,933
CHANGE IN NET POSITION				(1,334,831)	447,335	777,270
NET POSITION, BEGINNING OF YEAR				9,826,779	30,894,025	39,943,534
NET POSITION, END OF YEAR				\$ 8,491,948	\$ 31,341,360	\$ 40,720,804

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

TOWN OF SMYRNA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016
(With Summarized Comparative Data for December 31, 2015)

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
				<u>2016</u>
				<u>2015</u>
ASSETS				
Cash and cash equivalents	\$ 39,109	\$ 19,806	\$ 141,675	\$ 105,288
Investments	2,658,285	643,877	181,144	3,699,247
Taxes receivable	274,358	-	-	204,923
Accounts receivable	348,818	-	-	303,749
Grants receivable	49,032	345,800	-	706,319
Prepaid items	62,667	-	-	61,361
Inventory	25,927	-	-	24,725
TOTAL ASSETS	<u>3,458,196</u>	<u>1,009,483</u>	<u>322,819</u>	<u>5,105,612</u>
LIABILITIES				
Accounts payable	363,874	507,428	2,615	658,375
Accrued salaries and benefits	145,398	-	-	73,873
Unearned revenue	395,999	-	-	504,645
Developer deposits	340,509	-	-	443,378
TOTAL LIABILITIES	<u>1,245,780</u>	<u>507,428</u>	<u>2,615</u>	<u>1,680,271</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	186,102	-	-	143,027
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>186,102</u>	<u>-</u>	<u>-</u>	<u>143,027</u>
FUND BALANCES				
Nonspendable	88,594	-	-	86,086
Restricted for police	-	-	66,073	85,488
Restricted for public works	-	-	254,131	62,150
Committed for capital projects	1,990,952	502,055	-	3,358,907
Unassigned (deficit)	(53,232)	-	-	(310,317)
TOTAL FUND BALANCES	<u>\$ 2,026,314</u>	<u>\$ 502,055</u>	<u>\$ 320,204</u>	<u>\$ 3,282,314</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, 2016**

TOTAL GOVERNMENTAL FUND BALANCES \$ 2,848,573

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. 24,454,881

Some of the Town's assets are not available to pay for current expenditures and, therefore, are not reported in the funds. 186,102

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	\$ 1,502,645	
Deferred inflows of resources - pensions	<u>(372,835)</u>	1,129,810

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	(2,630,000)	
Loans payable	(4,900,000)	
Capital lease payable	(22,110)	
Accrued interest	(34,067)	
Post-employment benefits	(6,968,040)	
Net pension liability	<u>(5,047,765)</u>	(19,601,982)

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. 13,548

Compensated absences that are not due and payable in the current period are not reported in the funds. (538,984)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 8,491,948

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, 2016
(With Summarized Comparative Data for the Year Ended December 31, 2015)

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
	<u>2016</u>			<u>2015</u>
REVENUES				
Taxes:				
Property taxes	\$ 3,413,338	-	-	\$ 3,413,338
Transfer taxes	928,231	-	-	844,960
Special assessment/impact fees	476,427	-	-	138,463
Charges for services	1,473,711	-	-	1,437,363
Intergovernmental	440,522	138,995	236,151	728,779
Licenses, fees, and permits	337,686	-	-	334,700
Fines and forfeits	123,931	-	-	44,542
Franchise fees	191,544	-	-	187,919
Investment income	308	19,803	224	4,054
Miscellaneous	222,997	-	-	111,286
TOTAL REVENUES	<u>7,608,695</u>	<u>158,798</u>	<u>236,375</u>	<u>8,003,868</u>
EXPENDITURES				
Current:				
General government	1,087,840	-	-	1,228,783
Public safety	3,842,107	-	53,470	4,039,236
Public works	2,088,689	-	10,339	2,330,086
Planning and inspection	738,930	-	-	577,503
Library	319,931	-	-	309,270
Culture and recreation	336,324	-	-	300,727
Debt service:				
Principal	156,308	4,000,000	-	154,587
Interest	173,200	1,864	-	136,394
Capital outlays	-	1,568,041	-	2,683,062
TOTAL EXPENDITURES	<u>8,743,329</u>	<u>5,569,905</u>	<u>63,809</u>	<u>11,759,648</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,134,634)</u>	<u>(5,411,107)</u>	<u>172,566</u>	<u>(4,430,306)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from loan issuance	-	4,920,385	-	2,679,987
Issuance of debt	-	-	-	66,405
Transfers in	1,394,227	1,841,056	-	2,263,353
Transfers out	(350,277)	(1,865,957)	-	(920,991)
TOTAL OTHER FINANCING SOURCES	<u>1,043,950</u>	<u>4,895,484</u>	<u>-</u>	<u>4,088,754</u>
NET CHANGES IN FUND BALANCES	<u>(90,684)</u>	<u>(515,623)</u>	<u>172,566</u>	<u>(341,552)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,116,998</u>	<u>1,017,678</u>	<u>147,638</u>	<u>3,623,866</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,026,314</u>	<u>\$ 502,055</u>	<u>\$ 320,204</u>	<u>\$ 3,282,314</u>

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

TOWN OF SMYRNA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (433,741)

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 (\$1,652,497) exceeded depreciation expense (\$1,167,052). 485,445

The disposal of capital assets may result in a gain or a loss on the transaction and is reflected in the statement of activities. However, governmental funds do not report long-term assets, and any gain or loss resulting from the disposal of these assets is not reported in the funds. (4,053)

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 increased by this amount this year. 43,075

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. (764,077)

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	\$	29,385	
Accrued interest		1,016	
Prepaid insurance costs		(951)	
Net OPEB obligation		(121,946)	(92,496)

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. (568,984)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,334,831)

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property taxes	\$ 3,425,300	\$ 3,425,300	\$ 3,413,338	\$ (11,962)
Transfer taxes	650,000	650,000	928,231	278,231
Special assessment/impact fees	200,000	200,000	476,427	276,427
Charges for services	1,483,100	1,483,100	1,473,711	(9,389)
Intergovernmental	340,000	340,000	440,522	100,522
Licenses, fees, and permits	327,700	327,700	337,686	9,986
Fines and forfeits	95,000	95,000	123,931	28,931
Franchise fees	186,000	186,000	191,544	5,544
Investment income	1,000	1,000	308	(692)
Miscellaneous	60,000	60,000	222,997	162,997
TOTAL REVENUES	<u>6,768,100</u>	<u>6,768,100</u>	<u>7,608,695</u>	<u>840,595</u>
EXPENDITURES				
Current:				
General government	1,067,944	1,058,444	1,087,840	(29,396)
Public safety	3,941,318	3,908,318	3,842,107	66,211
Public works	2,050,893	2,050,393	2,088,689	(38,296)
Planning and inspection	647,527	647,527	738,930	(91,403)
Library	329,793	329,793	319,931	9,862
Culture and recreation	430,518	410,518	336,324	74,194
Debt service:				
Principal	313,116	313,116	156,308	156,808
Interest	173,200	173,200	173,200	-
TOTAL EXPENDITURES	<u>8,954,309</u>	<u>8,891,309</u>	<u>8,743,329</u>	<u>147,980</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,186,209)</u>	<u>(2,123,209)</u>	<u>(1,134,634)</u>	<u>988,575</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,186,209	2,123,209	1,394,227	(728,982)
Transfers out	-	-	(350,277)	(350,277)
TOTAL OTHER FINANCING SOURCES	<u>2,186,209</u>	<u>2,123,209</u>	<u>1,043,950</u>	<u>(1,079,259)</u>
NET CHANGES IN FUND BALANCE	-	-	(90,684)	(90,684)
FUND BALANCE, BEGINNING OF YEAR	<u>2,116,998</u>	<u>2,116,998</u>	<u>2,116,998</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 2,116,998</u>	<u>\$ 2,116,998</u>	<u>\$ 2,026,314</u>	<u>\$ (90,684)</u>

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

TOWN OF SMYRNA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2016
(With Summarized Comparative Data for December 31, 2015)

	Electric Fund	Water and Sewer Fund	Slum Clearance and Redevelopment Fund	Totals	
				2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 81,286	\$ 198,523	\$ 128,209	\$ 408,018	\$ 1,045,391
Investments	7,489	-	-	7,489	7,487
Due from other governments	-	2,144,854	-	2,144,854	721,646
Accounts receivable	1,571,706	389,204	-	1,960,910	1,764,571
Loan receivable	-	-	30,000	30,000	25,000
Inventory	535,085	108,272	-	643,357	651,835
Prepaid expenses	14,563	9,044	-	23,607	23,658
Restricted Assets:					
Meter deposits	750,270	8,343	-	758,613	710,400
Total Current Assets	<u>2,960,399</u>	<u>2,858,240</u>	<u>158,209</u>	<u>5,976,848</u>	<u>4,949,988</u>
Noncurrent Assets:					
Prepaid insurance costs	18,362	-	-	18,362	19,651
Loan receivable	-	-	247,500	247,500	275,000
Capital assets, net	14,157,911	32,133,173	-	46,291,084	43,422,038
Total Noncurrent Assets	<u>14,176,273</u>	<u>32,133,173</u>	<u>247,500</u>	<u>46,556,946</u>	<u>43,716,689</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	472,781	432,699	-	905,480	309,402
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,609,453</u>	<u>\$ 35,424,112</u>	<u>\$ 405,709</u>	<u>\$ 53,439,274</u>	<u>\$ 48,976,079</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
Current Liabilities:					
Accounts payable	\$ 1,039,775	\$ 595,347	\$ -	\$ 1,635,122	\$ 985,506
Accrued salaries and benefits	95,730	90,862	-	186,592	32,205
Unearned revenue	-	407,334	-	407,334	463
Accrued interest	45,158	25,093	-	70,251	66,475
Developer deposits	25,593	-	-	25,593	75,371
Other liability	97,398	-	-	97,398	212,002
Accrued compensated absences	6,438	5,420	-	11,858	10,098
Capital lease payable	9,103	-	-	9,103	-
Current portion of bonds payable	182,400	-	-	182,400	179,550
Current portion of loans payable	108,063	1,046,298	-	1,154,361	1,428,525
Current Liabilities Payable from Restricted Assets:					
Meter deposits	750,270	8,343	-	758,613	710,400
Total Current Liabilities	<u>2,359,928</u>	<u>2,178,697</u>	<u>-</u>	<u>4,538,625</u>	<u>3,700,595</u>
Noncurrent Liabilities:					
Accrued compensated absences	57,939	48,777	-	106,716	90,885
Post-employment benefits	431,389	246,508	-	677,897	589,019
Capital lease payable	17,224	-	-	17,224	-
Bonds payable	3,402,600	-	-	3,402,600	3,585,000
Loans payable	-	11,752,479	-	11,752,479	9,458,915
Net pension liability	812,160	764,660	-	1,576,820	625,564
Total Noncurrent Liabilities	<u>4,721,312</u>	<u>12,812,424</u>	<u>-</u>	<u>17,533,736</u>	<u>14,349,383</u>
TOTAL LIABILITIES	<u>7,081,240</u>	<u>14,991,121</u>	<u>-</u>	<u>22,072,361</u>	<u>18,049,978</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	14,555	10,998	-	25,553	32,076
NET POSITION					
Net investment in capital assets	10,438,521	19,334,396	-	29,772,917	28,770,048
Restricted for capital projects	-	729,995	-	729,995	597,161
Restricted for rural economic development	-	-	300,000	300,000	300,000
Unrestricted	75,137	357,602	105,709	538,448	1,226,816
TOTAL NET POSITION	<u>10,513,658</u>	<u>20,421,993</u>	<u>405,709</u>	<u>31,341,360</u>	<u>30,894,025</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 17,609,453</u>	<u>\$ 35,424,112</u>	<u>\$ 405,709</u>	<u>\$ 53,439,274</u>	<u>\$ 48,976,079</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, 2016
(With Summarized Comparative Data for the Year Ended December 31, 2015)

	Electric Fund	Water and Sewer Fund	Slum Clearance and Redevelopment Fund	Totals	
				2016	2015
OPERATING REVENUES					
User service charges	\$ 14,183,651	\$ 3,886,502	\$ -	\$ 18,070,153	\$ 17,541,661
Other operating revenue	123,828	75,865	35,163	234,856	220,587
Total Operating Revenues	<u>14,307,479</u>	<u>3,962,367</u>	<u>35,163</u>	<u>18,305,009</u>	<u>17,762,248</u>
OPERATING EXPENSES					
Electric purchased	9,411,714	-	-	9,411,714	9,416,897
Sewer charges	-	982,947	-	982,947	1,007,904
System maintenance	269,465	257,610	-	527,075	549,459
Salaries and wages	994,885	803,685	-	1,798,570	1,571,391
Employee benefits	593,255	459,352	-	1,052,607	670,761
Depreciation and amortization	784,163	661,826	-	1,445,989	1,333,720
Supplies and maintenance	110,490	199,537	-	310,027	221,348
Truck and vehicles	20,060	15,669	-	35,729	39,917
Insurance	50,383	36,341	-	86,724	83,104
Administration expenses	159,399	103,256	182	262,837	100,636
Professional services	300,846	315,038	-	615,884	609,435
Slum clearance program	-	-	10,193	10,193	12,659
Total Operating Expenses	<u>12,694,660</u>	<u>3,835,261</u>	<u>10,375</u>	<u>16,540,296</u>	<u>15,617,231</u>
OPERATING INCOME	<u>1,612,819</u>	<u>127,106</u>	<u>24,788</u>	<u>1,764,713</u>	<u>2,145,017</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	77	23	-	100	107
Interest expense	(136,149)	(228,254)	-	(364,403)	(342,478)
Intergovernmental revenue (expense)	(50,000)	-	-	(50,000)	255,000
Total Nonoperating Expenses	<u>(186,072)</u>	<u>(228,231)</u>	<u>-</u>	<u>(414,303)</u>	<u>(87,371)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS					
	1,426,747	(101,125)	24,788	1,350,410	2,057,646
Transfers in	-	2,175,734	-	2,175,734	892,158
Transfers out	(1,692,911)	(1,501,872)	-	(3,194,783)	(2,234,520)
Capital grants	-	-	-	-	86,302
Developer capital contributions	115,974	-	-	115,974	1,223,505
CHANGE IN NET POSITION	<u>(150,190)</u>	<u>572,737</u>	<u>24,788</u>	<u>447,335</u>	<u>2,025,091</u>
NET POSITION, BEGINNING 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>
NET POSITION, END OF YEAR	<u>\$ 10,513,658</u>	<u>\$ 20,421,993</u>	<u>\$ 405,709</u>	<u>\$ 31,341,360</u>	<u>\$ 30,894,025</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, 2016
(With Summarized Comparative Data for the Year Ended December 31, 2015)

	Electric Fund	Water and Sewer Fund	Slum Clearance and Redevelopment Fund	Totals	
				2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:					
Received from customers	\$ 14,033,942	\$ 3,923,396	\$ 57,663	\$ 18,015,001	\$ 17,568,005
Paid to suppliers for goods and services	(10,118,010)	(1,456,602)	(10,375)	(11,584,987)	(12,717,317)
Paid to employees for services	(1,268,065)	(973,600)	-	(2,241,665)	(2,136,006)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,647,867</u>	<u>1,493,194</u>	<u>47,288</u>	<u>4,188,349</u>	<u>2,714,682</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	2,175,734	-	2,175,734	892,158
Transfers out	(1,692,911)	(1,501,872)	-	(3,194,783)	(1,714,831)
Grant in aid	-	-	-	-	(45,000)
Issuance of revolving loan funds	-	-	-	-	(300,000)
Intergovernmental revenues (expenses)	(50,000)	-	-	(50,000)	300,000
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,742,911)</u>	<u>673,862</u>	<u>-</u>	<u>(1,069,049)</u>	<u>(867,673)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Repayment of bonds, loans, and capital leases payable	(182,153)	(1,497,996)	-	(1,680,149)	(1,164,378)
Loan proceeds	108,063	2,392,996	-	2,501,059	2,386,390
Developer capital contributions	115,974	-	-	115,974	345,399
Acquisition and construction of capital assets	(1,268,310)	(3,016,506)	-	(4,284,816)	(2,279,107)
Capital grants	-	-	-	-	86,302
Interest paid	(137,496)	(223,130)	-	(360,626)	(344,855)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,363,922)</u>	<u>(2,344,636)</u>	<u>-</u>	<u>(3,708,558)</u>	<u>(970,249)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Sale of investments	-	-	-	-	(1)
Investment income	75	23	-	98	107
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>75</u>	<u>23</u>	<u>-</u>	<u>98</u>	<u>106</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(458,891)</u>	<u>(177,557)</u>	<u>47,288</u>	<u>(589,160)</u>	<u>876,866</u>
CASH AND CASH EQUIVALENTS, BEGINNING 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 AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 831,556</u>	<u>\$ 206,866</u>	<u>\$ 128,209</u>	<u>\$ 1,166,631</u>	<u>\$ 1,755,791</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income	\$ 1,612,819	\$ 127,106	\$ 24,788	\$ 1,764,713	\$ 2,145,017
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	784,163	661,826	-	1,445,989	1,333,720
(Increase) Decrease in:					
Accounts receivable	(156,268)	(40,071)	-	(196,339)	(54,843)
Loan receivable	-	-	22,500	22,500	-
Inventory	(22,867)	31,345	-	8,478	(12,710)
Prepaid expenses	(321)	371	-	50	(9,482)
Deferred outflows - pension	(310,343)	(285,735)	-	(596,078)	(309,402)
Increase (Decrease) in:					
Accounts payable	227,535	422,081	-	649,616	(653,766)
Other liability	(114,604)	-	-	(114,604)	74,544
Accrued salaries and benefits	79,034	75,353	-	154,387	15,550
Developer deposits	(2,665)	1,100	-	(1,565)	(213,944)
Post-employment benefit obligations	56,559	32,319	-	88,878	18,179
Compensated absences	13,376	4,215	-	17,591	16,485
Net pension liability	483,734	467,522	-	951,256	333,258
Deferred inflows - pension	(2,285)	(4,238)	-	(6,523)	32,076
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,647,867</u>	<u>\$ 1,493,194</u>	<u>\$ 47,288</u>	<u>\$ 4,188,349</u>	<u>\$ 2,714,682</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Developer contributions of capital assets	\$ -	\$ -	\$ -	\$ -	\$ 878,106
Transfer out	-	-	-	-	(519,689)
Capital lease acquisition	28,930	-	-	28,930	-
Net loan receipts from current and prior year loan receivables	-	1,059,404	-	1,059,404	(833,242)
Loan forgiveness	-	43,067	-	43,067	53,767
	<u>\$ 28,930</u>	<u>\$ 1,102,471</u>	<u>\$ -</u>	<u>\$ 1,131,401</u>	<u>\$ (421,058)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:					
Cash and cash equivalents	\$ 81,286	\$ 198,523	\$ 128,209	\$ 408,018	\$ 1,045,391
Meter deposits - restricted	750,270	8,343	-	758,613	710,400
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 831,556</u>	<u>\$ 206,866</u>	<u>\$ 128,209</u>	<u>\$ 1,166,631</u>	<u>\$ 1,755,791</u>

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

TOWN OF SMYRNA
STATEMENTS OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2016 AND 2015

	Totals	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 660,606	\$ 930,965
Accounts receivable	999,844	-
Interest receivable	4,879	6,656
Prepaid expense	43,737	43,705
Investments at fair value:		
Equities	1,027,799	959,930
Mutual funds	1,687,384	1,477,780
Fixed income	3,622,900	3,951,233
Exchange-traded funds	100,068	-
Insurance contracts	3,517,671	3,545,075
TOTAL ASSETS	\$ 11,664,888	\$ 10,915,344
 LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ 18,926	\$ 16,772
 NET POSITION		
Net position restricted for pensions	11,645,962	10,898,572
TOTAL LIABILITIES AND NET POSITION	\$ 11,664,888	\$ 10,915,344

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

TOWN OF SMYRNA
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Totals	
	2016	2015
ADDITIONS:		
Contributions:		
Employer contribution	\$ 136,425	\$ 646,138
Employee contributions	52,423	159,777
State aid - police	49,032	139,447
Returned member plan assets	999,844	-
Total Contributions	1,237,724	945,362
Investment income (loss):		
Interest and dividends	339,419	427,709
Net appreciation (depreciation) in fair value of investments	162,791	(488,833)
Total Investment Income (Loss)	502,210	(61,124)
Less investment expense	125,562	183,328
Net Investment Income (Loss)	376,648	(244,452)
TOTAL ADDITIONS	1,614,372	700,910
DEDUCTIONS:		
Benefits paid	686,126	642,746
Transfer to State retirement plan	176,534	4,522,594
Administrative expenses	4,322	3,677
TOTAL DEDUCTIONS	866,982	5,169,017
NET INCREASE (DECREASE) IN NET POSITION	747,390	(4,468,107)
NET POSITION RESTRICTED FOR PENSIONS:		
Beginning of year	10,898,572	15,366,679
End of year	\$ 11,645,962	\$ 10,898,572

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 resources 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 fiduciary fund type:

Pension Trust Funds – These funds are used to account for the assets held by the pension plans for full-time Town employees and the pension plans 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. In establishing the fair value of investments, the Town uses the following hierarchy. The lowest available level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and fund statements report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Town has several items that are required to be reported in this category: (1) differences between actual and projected investment returns related to pensions, (2) differences between actual and expected experience related to pensions, (3) changes in the Town's proportionate share of the net pension liability for the multi-employer cost-sharing pension plans in which it participates, (4) pension contributions made subsequent to the measurement date of its net pension liability, and (5) changes in assumptions related to pensions. Differences between the actual and projected investment returns related to pensions are deferred and amortized over five years; the remaining deferred outflows related to the pensions are amortized over the estimated remaining services lives of the plans' participants.

Deferred inflows of resources represent an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s). The Town has two items that are required to be reported in this category: (1) The deferred inflow from pensions and (2) unavailable revenue, which arises only under a modified accrual basis of accounting is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

The government-wide statement of net position reports deferred inflows from pensions as follows: (1) change in assumptions, (2) differences between actual and expected experience, and (3) changes in the Town's proportionate share of the net pension liability for the multi-employer cost-sharing pension plans in which it participates. These deferred inflows related to pensions are amortized over the estimated remaining services lives of the plans' participants.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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 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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

Payments of long-term obligations are to be funded by the fund that incurred the debt.

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 Town Council or through the Town Council 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Property Taxes

Property taxes attach as an enforceable lien on property when levied. All liens continue until property taxes are paid in full. Taxes are levied on May 1 and are payable on or before September 30. Taxes paid before July 1 are given a six percent discount. Taxes paid on or 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 2016 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

- d. Unused appropriations for all of the above annually budgeted funds lapse at year end.
- e. For 2016, there were minor amendments to the legally adopted budgets.

Implementation of New Accounting Pronouncements

GASB Statement No. 72, "Fair Value Measurement and Application," was issued in February 2015 and is effective for periods beginning after June 15, 2015. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The statement also clarifies the definition of "fair value." The new disclosures required by GASB Statement No. 72 are included in Note 3 to the financial statements.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to certain provisions of GASB 67 and 68," was issued in June 2015 and is effective for 2016. This statement establishes requirements for pension plans that are not within the scope of GASB Statement No. 68. The statement also clarifies the application of certain provisions of Statements 67 and 68. This pronouncement has no impact on the financial statements.

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans," was issued in June 2015 and is effective for periods beginning after June 15, 2016. The objective of this statement is to provide guidance for improving the usefulness of information about defined benefit OPEB plans that are administered through trusts that meet the specified criteria; this statement requires two financial statements - a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement also replaces Statement No. 43, as amended, and Statement No. 57. At this current time, the Town does not administer its defined benefit OPEB plans through trusts.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," was issued in June 2015 and is effective for periods beginning after June 15, 2017. This statement's objectives are to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. It also replaces Statements No. 45 and No. 57 and establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this standard will have a material effect on the financial statements.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," was issued in June 2015 and is effective for periods beginning after June 15, 2015. The objective of this statement is to identify in the context of the current governmental reporting environment - the sources of accounting principles used to prepare financial statements of state and local government entities in conformity with generally

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

accepted accounting principles ("GAAP") and the framework for selecting this principle. The Town has adopted this pronouncement, but it has no material effect on the financial statements.

GASB Statement No. 77, "Tax Abatement Disclosures," was issued in August 2015 and is effective for periods beginning after December 15, 2015. The objective of this statement is to assist the users of financial statements in determining how tax abatements affect the financial position and results of operations, including its ability to raise resources in the future. The Town has adopted this pronouncement, but it has no material effect on the financial statements.

GASB Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," was issued in December 2015 and is effective for periods beginning after December 15, 2015. The objective of this statement is to address a practice issue identified related to GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and excludes certain defined benefit pension plans provided to employees of government entities that do not have the traditional characteristics of a government cost-sharing multiple-employer defined benefit plan. The Town has adopted this pronouncement, but it has no material effect on the financial statements.

GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," was issued in December 2015 and is effective for periods beginning after June 15, 2015. This statement provides guidance allowing an entity to report its investments in certain qualifying external investment pools at amortized cost for financial reporting purposes, and enhances the disclosures for these investments. The Town has adopted this pronouncement, but it has no material effect on 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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2016, the General Fund incurred expenditures in excess of appropriations in the following functions:

<u>Function</u>	<u>Expenditures Over Budget</u>
General government	\$ 29,396
Public works	\$ 38,296
Planning and inspection	\$ 91,403

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Town has not adopted a formal policy limiting the amount of the Town's deposits subject to custodial credit risk. At December 31, 2016, the carrying amount of the Town's deposits was \$1,367,221, and the bank balance was \$1,821,801. 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, 2016, \$269,781 was covered by federal depository insurance, and \$1,552,020 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.

Investments

As of December 31, 2016, the Town had the following investments:

	Fair Value	Level 1
U.S. Treasury bills	\$ 1,371,132	\$ 1,371,132
U.S. Treasury notes	652,145	652,145
Equity mutual funds	130,625	130,625
Money market mutual funds	1,336,893	1,336,893
	\$ 3,490,795	\$ 3,490,795

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. At December 31, 2016, the Town's investments in U.S. Treasury bills and notes had maturity dates that did not exceed one year.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

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.

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, 2016 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	\$ 1,366,550	\$ 374,324	\$ -	\$ 1,740,874
Construction-in-progress	4,059,197	911,371	4,970,568	-
Total Capital Assets Not Being Depreciated	<u>5,425,747</u>	<u>1,285,695</u>	<u>4,970,568</u>	<u>1,740,874</u>
Capital assets being depreciated:				
Buildings and improvements	6,959,946	4,932,672	-	11,892,618
Infrastructure	21,150,796	89,428	-	21,240,224
Land improvements	792,958	-	-	792,958
Machinery and equipment	4,401,762	315,270	189,160	4,527,872
Total Capital Assets Being Depreciated	<u>33,305,462</u>	<u>5,337,370</u>	<u>189,160</u>	<u>38,453,672</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>
Less accumulated depreciation for:				
Buildings and improvements	1,735,120	235,100	-	1,970,220
Infrastructure	8,919,077	697,362	-	9,616,439
Land improvements	533,721	24,778	-	558,499
Machinery and equipment	3,569,802	209,812	185,107	3,594,507
Total Accumulated Depreciation	<u>14,757,720</u>	<u>1,167,052</u>	<u>185,107</u>	<u>15,739,665</u>
Total Capital Assets Being Depreciated, Net	<u>18,547,742</u>	<u>4,170,318</u>	<u>4,053</u>	<u>22,714,007</u>
Governmental Activities Assets, Net	<u>\$23,973,489</u>	<u>\$ 5,456,013</u>	<u>\$4,974,621</u>	<u>\$24,454,881</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 421,252	\$ 9,700	\$ -	\$ 430,952
Construction-in-progress	4,243,949	2,850,099	13,303	7,080,745
Total Capital Assets Not Being Depreciated	<u>4,665,201</u>	<u>2,859,799</u>	<u>13,303</u>	<u>7,511,697</u>
Capital assets being depreciated:				
Buildings and improvements	3,265,334	-	-	3,265,334
Infrastructure	47,088,472	717,943	-	47,806,415
Machinery and equipment	1,675,790	749,307	12,447	2,412,650
Total Capital Assets Being Depreciated	<u>52,029,596</u>	<u>1,467,250</u>	<u>12,447</u>	<u>53,484,399</u>
Less accumulated depreciation for:				
Buildings and improvements	939,905	62,891	-	1,002,796
Infrastructure	11,054,589	1,260,734	-	12,315,323
Machinery and equipment	1,278,265	121,075	12,447	1,386,893
Total Accumulated Depreciation	<u>13,272,759</u>	<u>1,444,700</u>	<u>12,447</u>	<u>14,705,012</u>
Total Capital Assets Being Depreciated, Net	<u>38,756,837</u>	<u>22,550</u>	<u>-</u>	<u>38,779,387</u>
Business-type Activities Assets, Net	<u>\$43,422,038</u>	<u>\$2,882,349</u>	<u>\$ 13,303</u>	<u>\$46,291,084</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:		
General government		\$ 88,400
Public safety		198,821
Public works		833,118
Planning and inspection		4,247
Library		16,689
Culture and recreation		25,777
Total Depreciation Expense - Governmental Activities		<u>\$ 1,167,052</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

Business-type Activities:	
Electric	\$ 782,874
Water	<u>661,826</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,444,700</u>

NOTE 5 LONG-TERM LIABILITIES

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 2,765,450	\$ -	\$ 135,450	\$ 2,630,000	\$ 137,600
Loans payable	3,979,615	4,920,385	4,000,000	4,900,000	-
Capital lease payable	42,968	-	20,858	22,110	22,110
Compensated absences	568,369	181,364	210,749	538,984	53,898
Post-employment benefits	6,846,094	121,946	-	6,968,040	-
Net pension liability	<u>4,079,864</u>	<u>967,901</u>	<u>-</u>	<u>5,047,765</u>	<u>-</u>
TOTAL	<u>\$18,282,360</u>	<u>\$ 6,191,596</u>	<u>\$ 4,367,057</u>	<u>\$20,106,899</u>	<u>\$ 213,608</u>
Business-type Activities:					
Bonds payable	\$ 3,764,550	\$ -	\$ 179,550	\$ 3,585,000	\$ 182,400
Loans payable	10,887,440	3,560,463	1,541,063	12,906,840	1,154,361
Capital lease payable	-	28,930	2,603	26,327	9,103
Compensated absences	100,983	98,149	80,558	118,574	11,858
Post-employment benefits	589,019	88,878	-	677,897	-
Net pension liability	<u>625,564</u>	<u>951,256</u>	<u>-</u>	<u>1,576,820</u>	<u>-</u>
TOTAL	<u>\$15,967,556</u>	<u>\$ 4,727,676</u>	<u>\$ 1,803,774</u>	<u>\$18,891,458</u>	<u>\$ 1,357,722</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.

\$ 2,630,000

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

The Town obtained financing from the United States Department of Agriculture ("USDA") in the amount of \$4,900,000 to finance the renovations to the Police Department building. The loan matures in December 2056 and bears an interest rate of 2.38%. The Town is still currently drawing down this loan.

4,900,000

Total Governmental Activities

\$ 7,530,000

Business-type Activities:

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.

\$ 743,793

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control and administered by the Delaware Department of Health and Social Services to fund the North Water Tower. The loan matures on May 15, 2027 and bears interest at 2.41%, payable on May 15 and November 15.

1,028,279

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.

3,585,000

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

2,256,679

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

1,486,635

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

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. 141,218

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 September 30, 2017. At year end, the interest rate was 2.1%. 661,868

Loan payable issued by the USDA in the total amount of \$2,233,000 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. 1,977,678

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. 1,201,256

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. 268,191

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. 153,188

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. 510,549

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

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. The loan bears interest at 1.5%.

537,500

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

927,640

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the Commerce Street sewer replacement. The loan matures on April 30, 2032 and bears an interest rate at 2.0%, payable on April 30 and October 30.

1,012,366

Total Business-type Activities

\$ 16,491,840

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>
2017	\$ 1,474,361	\$ 405,411	\$ 1,879,772
2018	834,274	384,886	1,219,160
2019	856,353	362,750	1,219,103
2020	878,737	339,367	1,218,104
2021	906,434	314,823	1,221,257
2022-2026	4,650,805	1,160,058	5,810,863
2027-2031	11,422,756	423,688	11,846,444
2032-2033	<u>2,998,120</u>	<u>1,873</u>	<u>2,999,993</u>
Total	<u>\$ 24,021,840</u>	<u>\$ 3,392,856</u>	<u>\$ 27,414,696</u>

Compensated Absences

At December 31, 2016, accrued compensated absences for governmental activities totaled \$538,984. This total is comprised of accrued vacation leave of \$220,519, accrued sick leave of \$291,828, and compensatory time of \$26,637. In addition, at December 31, 2016, accrued compensated absences in the business-type activities and proprietary funds totaled \$118,574. This total is comprised of accrued vacation leave of \$68,242 and accrued sick leave of \$50,332.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

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 6.0 percent. This capital lease has been recorded at the present value of the future minimum lease payments as of the inception date.

The Town has also entered into a separate lease arrangement to finance the acquisition of new public works vehicles. Payments are due quarterly and bear interest at 5.7 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	\$ 103,397
Less: accumulated depreciation	<u>(15,815)</u>
	<u>\$ 87,582</u>

The governmental activities minimum lease payment amounted to \$23,437 in 2016. In the business-type activities, the minimum lease payments amounted to \$2,603 in 2016. The future lease payments under the capital lease at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 33,848
2018	10,411
2019	7,808
Less amount representing interest	<u>(3,630)</u>
Present value of future minimum lease payments	<u>\$ 48,437</u>

Operating Leases

The Town is leasing public works vehicles under operating leases. The total cost for such leases was \$70,841 in 2016. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 66,513
2018	66,513
2019	66,513
2020	<u>66,513</u>
Future minimum lease payments	<u>\$ 266,052</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2016 was as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 350,277	\$ 1,394,227
Capital Improvement Fund	1,865,957	1,841,056
Water and Sewer Fund	1,501,872	2,175,734
Electric Fund	<u>1,692,911</u>	<u>-</u>
TOTAL	<u>\$ 5,411,017</u>	<u>\$ 5,411,017</u>

Transfers from the proprietary funds to the General Fund represent Council-approved transfers to subsidize the operations of the Town's primary government. All other transfers represent the flow of resources to accommodate the costs of certain capital projects.

NOTE 7 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>	
2017	\$ 30,000
2018	30,000
2019	30,000
2020	30,000
2021	30,000
Thereafter	<u>127,500</u>
Future minimum lease payments	<u>\$ 277,500</u>

NOTE 8 RENTAL INCOME

The Town currently has two lease agreements that are included in miscellaneous revenue in the General Fund. The first lease is with Warcko, Inc. (doing business as Warlock Brewing Company) for the lease of an 11,525 square foot property. The lease was entered into effective September 3, 2014 and expires on March 31, 2020, with an option to extend an

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 RENTAL INCOME (cont'd)

additional five years. Monthly payments on this lease began on April 1, 2015 in the amount of \$2,401, and the amount increases \$2,881 per year until the end of the lease term. Lease revenue recognized for this lease in 2016 totaled \$30,973.

The second lease arrangement is with Cellco Partnership (doing business as Verizon Wireless) for the lease of land and easement rights on Town property to facilitate the installation and maintenance of utility poles, cables, and other infrastructure. The lease was entered into effective January 26, 2015 and terminates on January 25, 2020, with an automatic extension for four additional five-year terms, unless one of the parties elects to terminate the agreement in writing. The lease calls for annual payments to be made in the amount of \$26,400 beginning in 2015 and increases three percent each year. Lease revenue recognized for this lease in 2016 totaled \$27,192.

A schedule of the future minimum lease payments to be received under these agreements follows.

<u>Year Ending December 31,</u>	
2017	\$ 61,863
2018	65,584
2019	69,330
2020	<u>10,084</u>
Future minimum lease payments	<u>\$ 206,861</u>

NOTE 9 FUND BALANCE

As of December 31, 2016, 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	\$ 62,667	\$ -	\$ -	\$ 62,667
Inventory	25,927	-	-	25,927
Restricted:				
Police	-	-	66,073	66,073
Public works	-	-	254,131	254,131
Committed:				
Capital projects	1,990,952	502,055	-	2,493,007
Unassigned (deficit)	<u>(53,232)</u>	<u>-</u>	<u>-</u>	<u>(53,232)</u>
Total Fund Balances	<u>\$ 2,026,314</u>	<u>\$ 502,055</u>	<u>\$ 320,204</u>	<u>\$ 2,848,573</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 FUND BALANCE (cont'd)

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, 2016, this account was not fully funded.

NOTE 10 NET INVESTMENT IN CAPITAL ASSETS

A schedule of net investment in capital assets as of December 31, 2016 is as follows:

Governmental Activities:	
Total capital assets, net	\$ 24,454,881
Less: loans, bonds, and capital leases payable	<u>(7,552,110)</u>
Total Net Investment in Capital Assets	<u>\$ 16,902,771</u>
Business-type Activities:	
Total capital assets, net	\$ 46,291,084
Less: loans, bonds, and capital leases payable	<u>(16,518,167)</u>
Total Net Investment in Capital Assets	<u>\$ 29,772,917</u>

NOTE 11 DEFINED BENEFIT PENSION PLANS

The Town participates in four defined benefit pension plans: the Town of Smyrna Police Pension Plan, the Town of Smyrna Employee Pension Plan, the County and Municipal Police and Firefighters' Pension Plan, and the County and Municipal Other Employees' Pension Plan. The Police Pension Plan, a single-employer defined benefit plan, covers all full-time uniformed police officers hired prior to January 1, 2016. The Employee Pension Plan, a single-employer defined benefit plan, covers all full-time permanent employees, other than police officers hired prior to January 1, 2015. The County and Municipal Police and Firefighters' Pension Plan is a multi-employer cost sharing plan administered by the Delaware State Retirement System, and covers all full-time uniformed police officers hired on or after January 1, 2016. The County and Municipal Other Employees' Pension Plan is also a multi-employer cost sharing plan administered by the Delaware State Retirement System and covers all full-time permanent employees, other than police officers, hired on or after January 1, 2015.

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:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 DEFINED BENEFIT PENSION PLANS (cont'd)

STATEMENT OF NET POSITION - PENSION TRUST FUNDS
December 31, 2016

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 439,148	\$ 221,458	\$ 660,606
Accounts receivable	999,844	-	999,844
Interest receivable	-	4,879	4,879
Prepaid expense	19,813	23,924	43,737
Investments at fair value:			
Equities	-	1,027,799	1,027,799
Mutual funds	62,780	1,624,604	1,687,384
Fixed income	-	3,622,900	3,622,900
Exchange traded funds	100,068	-	100,068
Insurance contracts	1,895,344	1,622,327	3,517,671
TOTAL ASSETS	<u>\$ 3,516,997</u>	<u>\$ 8,147,891</u>	<u>\$ 11,664,888</u>
LIABILITIES AND NET POSITION			
LIABILITIES	\$ 9,495	\$ 9,431	\$ 18,926
NET POSITION:			
Net position restricted for pensions	<u>3,507,502</u>	<u>8,138,460</u>	<u>11,645,962</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,516,997</u>	<u>\$ 8,147,891</u>	<u>\$ 11,664,888</u>

STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS
For the Year Ended December 31, 2016

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employer contribution	\$ -	\$ 136,425	\$ 136,425
Employee contribution	-	52,423	52,423
State aid - police	49,032	-	49,032
Returned member plan assets	999,844	-	999,844
Total Contributions	<u>1,048,876</u>	<u>188,848</u>	<u>1,237,724</u>
Investment Income:			
Interest and dividends	82,263	257,156	339,419
Net appreciation			
of fair value of investments	6,851	155,940	162,791
Total Investment Income	<u>89,114</u>	<u>413,096</u>	<u>502,210</u>
Less investment expense	(32,487)	(93,075)	(125,562)
Net Investment Income	<u>56,627</u>	<u>320,021</u>	<u>376,648</u>
TOTAL ADDITIONS	<u>1,105,503</u>	<u>508,869</u>	<u>1,614,372</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 DEFINED BENEFIT PENSION PLANS (cont'd)

**STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS
For the Year Ended December 31, 2016**

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
DEDUCTIONS			
Benefits paid	340,874	345,252	686,126
Transfer of assets to State retirement plan	176,534	-	176,534
Administrative expenses	1,866	2,456	4,322
TOTAL DEDUCTIONS	<u>519,274</u>	<u>347,708</u>	<u>866,982</u>
NET INCREASE IN NET POSITION	586,229	161,161	747,390
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	<u>2,921,273</u>	<u>7,977,299</u>	<u>10,898,572</u>
End of year	<u>\$ 3,507,502</u>	<u>\$ 8,138,460</u>	<u>\$ 11,645,962</u>

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

NOTE 12 POLICE PENSION PLANS

Town Police Pension Plan

Plan Description and Provisions

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 Town's Police Pension Plan ("the Plan") 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. During 2016, the Town began participating in the State of Delaware Public Employees Retirement System County and Municipal Police and Firefighters' Pension Plan ("DPERS"); therefore, police officer contributions were \$0 to the Plan in 2016. At year end, based on an agreement between the Town and the Fraternal Order of Police, five officers who were transferred to DPERS returned to the Town's Police Pension Plan as active

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

members; in future years, these five officers will be required to contribute to the Plan based on the requirements described above. The Town is required to contribute at an actuarially determined rate.

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 Plan does not issue a stand-alone financial report but is included in these financial statements with the supplementary information.

As of January 1, 2016, the date of the most recent actuarial report, Plan membership consisted of the following:

Active employees	5
Terminated vested participants	5
Retirees and beneficiaries currently receiving benefits	<u>14</u>
	<u>24</u>

Plan benefit provisions are as follows:

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

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 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.

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

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 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 Plan's deposits may not be returned. At December 31, 2016, the carrying amount of the Plan's deposits was \$439,148, and the bank balance was \$439,148. Of this amount, \$425,136 was insured or registered and the securities held by the Town or its agent in the Town's name, and \$14,012 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 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, 2016, the Plan had the following investments:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Mutual funds	\$ 62,780	\$ 62,780	\$ -
Exchange traded funds	100,068	100,068	-
Fixed income insurance contracts	<u>1,895,344</u>	<u>-</u>	<u>1,895,344</u>
	<u>\$ 2,058,192</u>	<u>\$ 162,848</u>	<u>\$ 1,895,344</u>

Investments in external investment pools, such as those in mutual funds, fixed income insurance contracts, and exchange traded 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

Administrative Costs

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

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, 2016 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, 2016 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Cash	3.44%	0.50%
Short-term bonds	13.56%	1.41%
Intermediate-term bonds	1.22%	1.80%
Mutual funds	27.78%	7.31%
Aetna insurance contracts	54.00%	4.13%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Town’s total pension liability is 4.50 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

Net Pension Liability

The Plan's net pension liability was determined using a measurement date of December 31, 2016. The total pension liability was determined by an actuarial valuation as of January 1, 2016, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date. The net pension liability of \$3,514,498 is measured as the difference between the total pension liability of \$7,022,000 and the fiduciary net position of \$3,507,502.

The components of the net pension liability of the Plan at December 31, 2016 is as follows:

Total pension liability	\$ 7,022,000
Fiduciary net position	<u>(3,507,502)</u>
Net pension liability	<u>\$ 3,514,498</u>
Plan fiduciary net position as a percentage of the total pension liability	49.95%

The Town's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2016 were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2015	<u>\$ 6,300,000</u>	<u>\$ 2,921,273</u>	<u>\$ 3,378,727</u>
Changes for the year:			
Interest	245,249	-	245,249
Transfer from DPERS	1,204,038	999,844	204,194
Transfer to DPERS	-	(176,534)	176,534
Effect of economic or demographic gains or losses	1,056	-	1,056
Effect of assumption changes	(387,469)	-	(387,469)
Benefit payments	(340,874)	(340,874)	-
Employer contributions	-	49,032	(49,032)
Net investment income	-	56,627	(56,627)
Administrative expenses	-	(1,866)	1,866
Net Changes	<u>722,000</u>	<u>586,229</u>	<u>135,771</u>
Balance at December 31, 2016	<u>\$ 7,022,000</u>	<u>\$ 3,507,502</u>	<u>\$ 3,514,498</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

As of December 31, 2016, the net pension liability of \$3,514,498 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 Plan calculated using the discount rate of 4.50 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 (3.50 percent) or one percentage point higher (5.50 percent) than the current rate:

	1% Decrease 3.50%	Current Discount Rate 4.50%	1% Increase 5.50%
Net pension liability	\$ 4,601,498	\$ 3,514,498	\$ 2,641,498

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, 2016, the annual money-weighted rate of return on the Plan investments, net of investment expense was 2.19 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 Inflows and Outflows of Resources Related to Pensions

For the year ended December 31, 2016, the Plan recognized pension expense of \$505,109. At December 31, 2016 the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows	Deferred Outflows
Differences between actual and expected experience	\$ -	\$ 692
Change of assumptions	253,859	-
Difference between actual and projected investment returns	-	352,925
Total Deferred Outflows and Inflows	<u>\$ 253,859</u>	<u>\$ 353,617</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

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

<u>Year Ending December 31,</u>	
2017	\$ (18,761)
2018	(5,436)
2019	114,485
2020	<u>9,470</u>
	<u>\$ 99,758</u>

The following actuarial methods and assumptions were used in the January 1, 2016 actuarial valuation.

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	10 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	4.50%
Discount rate	4.50%
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 Plan was taken from the January 1, 2016 Actuarial Valuation presented by Milliman, Inc., signed by Glenn D. Bowen, FSA and Timothy J. Nugent, FSA, dated March 25, 2016.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

County and Municipal Police and Firefighters' Pension Plan

Effective January 1, 2016 the Town began participating in the State of Delaware Public Employees Retirement System County and Municipal Police and Firefighters' Pension Plan ("DPERS Police Plan") for active uniformed police officers. 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 DPERS Police Plan for uniformed police officers. Subsequently, as of December 31, 2016, based on an agreement between the Town and the Fraternal Order of Police, five officers have returned as participants in the Town's police pension plan for full-time policemen with full service restored as if participation in the Plan had not ceased. Corresponding assets and liabilities have been returned to the Plan for the five officers as of December 31, 2016.

Plan Description

The DPERS Police Plan is a cost sharing multiple-employer defined-benefit pension established in the Delaware Code. The Town's police officers whose employment started with the Town on or after January 1, 2016 can participate in this plan.

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees ("the Board").

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the DPERS Police Plan's assets may be used only for the payment of benefits to the members of the plan in accordance with the terms of the plan.

At December 31, 2016, the Town's membership in this plan is comprised of 21 active employees that are vested.

Benefits Provided

Service Benefits

The DPERS Police Plan's service benefits calculation is 2.5 percent of the final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5 percent of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation. Vesting is at five years of credited service, and retirement age is 62 with five years of service; age plus credited service (but not less than ten years) equals 75 or 20 years of credited service.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

Disability Benefits

Duty – total disability – 75 percent of final average compensation plus 10 percent of each dependent not to exceed 25 percent for all dependents.

Duty – partial disability – calculated in the same manner as service benefits, subject to a minimum 50 percent of final average compensation.

Non-duty – calculated in the same manner as service benefits. Total disability benefits are subject to a minimum of 50 percent of final average monthly compensation plus five percent for each dependent, not to exceed 20 percent for all dependents. Partial disability benefits are subject to a minimum of 30 percent of the final average monthly compensation.

Survivor Benefits

If the employee is receiving pension benefits at the time of death, the eligible survivor receives 50 percent of the pension benefit. If the employee is active at the time of death, the eligible survivor receives 50 percent of the benefit the employee would have received at age 62. If the employee is killed in the line of duty, the eligible survivor receives 75 percent of the pension benefit.

Contributions

Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 13.85 percent for the period January to June 2016, and 13.77 percent for the period June to December 2016. The Town's contributions of \$207,487 for 2016 were equal to the required contribution for the year. Total eligible full-time wages covered by the DPERS Police Plan for the year totaled \$1,700,501.

Member contributions are established at seven percent of covered wages.

Net Pension Liability, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions

At December 31, 2016, the Town reported a liability of \$158,206 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The Town's proportionate share of the net pension liability was based on the percentage of actual contributions and was measured as the difference between its proportionate share of the total pension liability (\$2,987,831) and its proportionate share of the DPERS Police Plan's fiduciary net position (\$2,829,625). As of December 31, 2016, the Town's proportionate share of the net pension liability of \$158,206 is

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

a liability related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position. At June 30, 2016, the Town's proportion of the collective net pension liability was 0.9953 percent.

For the year ended December 31, 2016, the DPERS Police Plan recognized pension expense of \$285,900. At December 31, 2016, the Town reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Difference between actual and expected experience	\$ 26,944	\$ 27,012
Difference between actual and expected investment returns	-	163,622
Changes of assumptions	41,593	-
Changes in proportions	11,053	25,890
Contributions made subsequent to the measurement date	-	107,060
	<u>\$ 79,590</u>	<u>\$ 323,584</u>

Deferred outflows resulting from the Town's contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ended December 31, 2017.

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

<u>Year Ending December 31,</u>	
2017	\$ 35,600
2018	35,600
2019	35,600
2020	44,958
2021	(2,966)
Thereafter	<u>(11,858)</u>
	<u>\$ 136,934</u>

The following actuarial methods and assumptions were used in the June 30, 2015 actuarial valuation.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

Actuarial Methods and Significant Assumptions

Investment rate of return	7.20%
Discount rate	7.20%
Inflation rate	2.50%
Projected salary increases	2.50% plus merit
Cost of living adjustments	0.00%
Mortality	RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees, and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs), as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

Asset Allocation and Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the DPERS Police Plan's current and expected asset allocation are summarized in the following table:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	34.0%	5.7%
International equity	14.7%	5.7%
Fixed income	25.0%	2.0%
Alternative investments	20.9%	7.8%
Cash and equivalents	5.4%	0.0%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Town's total pension liability is 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the DPERS Police Pension Plan, calculated using the discount rate of 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease 6.20%</u>	<u>Current Discount Rate 7.20%</u>	<u>1% Increase 8.20%</u>
Net pension liability (asset)	\$ 629,381	\$ 158,206	\$ (225,788)

Plan Fiduciary Net Position

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS

Town Employee Pension Plan

Plan Description and Provisions

The Town's Full-Time Employees Pension Plan ("the Plan") 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 January 1, 2013. Contributions are accumulated at an annual compound rate of interest of five percent per year. Employee contributions totaled \$52,423 in 2016. 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 Plan does not issue a stand-alone financial report but is included in the financial statements with the required supplementary information.

As of January 1, 2016, the date of the most recent actuarial report, Plan membership consisted of the following:

Active employees	43
Terminated vested participants	20
Retirees and beneficiaries currently receiving benefits	<u>19</u>
	<u>82</u>

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

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%

The 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 Plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the company.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned. At December 31, 2016, the carrying amount of the Plan's deposits was \$221,458, and the bank balance was \$221,458. Of this amount, \$37,286 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$184,172 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 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, 2016, the Plan had the following investments:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 1,027,799	\$ 1,027,799	\$ -	\$ -
Mutual funds	1,624,604	1,624,604	-	-
Fixed income	3,622,900	-	3,622,900	-
Fixed income insurance contracts	1,622,327	-	-	1,662,327
	<u>\$ 7,897,630</u>	<u>\$ 2,652,403</u>	<u>\$ 3,622,900</u>	<u>\$ 1,662,327</u>

Investments in external investment pools, such as those in mutual funds and fixed income insurance contracts, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2016, the Plan's fixed income investments had the following risk characteristics:

<u>Investment Type</u>	<u>Portfolio Rating</u>	<u>Rating Source</u>	<u>Investment Value</u>
Foreign bonds	A, A1	S&P, Moody	\$ 35,455
Corporate bonds	AA- to Aa2	S&P, Moody	560,883
Municipal bonds	AA- to Aa3	S&P, Moody	44,613
CMO/MBS/ABS	NR	S&P, Moody	731,660
Agency bond	AA+, Aaa	S&P, Moody	135,621
Foreign bonds	BB+, Ba1	S&P, Moody	23,513

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

<u>Investment Type</u>	<u>Portfolio Rating</u>	<u>Rating Source</u>	<u>Investment Value</u>
Corporate bonds	BB to Aaa	S&P, Moody	1,090,084
Municipal bonds	AA- to Aa2	S&P, Moody	146,391
Treasury bill	NR to Aaa	S&P, Moody	150,086
CMO/MBS/ABS	NR	S&P, Moody	<u>704,594</u>
Total fixed income securities			<u>\$ 3,622,900</u>

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, 2016 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, 2016 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Cash	1.60%	0.50%
Short-term bonds	17.60%	1.41%
Intermediate-term bonds	14.40%	1.80%
Long-term bonds	9.60%	2.97%
Government bonds	3.20%	1.28%

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

Category Allocation	Target Allocation	Long-term Expected Rate of Return
Large cap	4.64%	4.80%
Large growth	4.56%	5.49%
Large value	4.24%	4.67%
Mid cap growth	3.76%	6.19%
Mid cap value	3.76%	5.00%
Small cap growth	2.24%	6.94%
Small cap value	2.24%	5.43%
Foreign equities	5.20%	6.01%
Emerging markets	2.08%	8.30%
Non-U.S. small cap	0.88%	6.47%
Aetna insurance contracts	20.00%	4.31%
	100.00%	

Discount Rate

The discount rate used to measure the Town's total pension liability is 5.25 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 Plan's net pension liability was determined using a measurement date of December 31, 2016. The total pension liability was determined by an actuarial valuation as of January 1, 2016, 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 \$2,827,540 and is measured as the difference between the total pension liability of \$10,966,000 and the fiduciary net position of \$8,138,460.

The components of the net pension liability of the Plan at December 31, 2016 are as follows:

Total pension liability	\$10,966,000
Fiduciary net position	(8,138,460)
Net pension liability	\$ 2,827,540
Plan fiduciary net position as a percentage of the total pension liability	74.22%

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

The Plan's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2016 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 9,304,000	\$ 7,977,299	\$ 1,326,701
Changes for the year:			
Service cost	275,113	-	275,113
Interest	564,540	-	564,540
Effect of economic or demo- graphic gains or losses	135,050	-	135,050
Effect of assumption changes	1,032,549	-	1,032,549
Benefit payments	(345,252)	(345,252)	-
Employer contributions	-	136,425	(136,425)
Member contributions	-	52,423	(52,423)
Net investment income	-	320,021	(320,021)
Administrative expenses	-	(2,456)	2,456
Net Changes	<u>1,662,000</u>	<u>161,161</u>	<u>1,500,839</u>
Balance at December 31, 2016	<u>\$ 10,966,000</u>	<u>\$ 8,138,460</u>	<u>\$ 2,827,540</u>

As of December 31, 2016, \$1,273,150 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 \$1,576,820 of the net pension liability is recorded as a liability in the Water and Sewer Fund for \$764,660 and in the Electric Fund for \$812,160 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 Plan, calculated using the discount rate of 5.25 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 (4.25 percent) or one percentage point higher (6.25 percent) than the current rate:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net pension liability	\$ 4,454,540	\$ 2,827,540	\$ 1,481,540

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

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, 2016, the annual money-weighted rate of return on the Plan investments, net of investment expense was 4.07 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 Inflows and Outflows of Resources Related to Pensions

For the year ended December 31, 2016, the Plan recognized pension expense of \$706,389. At December 31, 2016, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Differences between actual and expected experience	\$ -	\$ 218,852
Change of assumptions	54,422	841,336
Difference between actual and projected investment returns	-	513,264
Total Deferred Outflows and Inflows	<u>\$ 54,422</u>	<u>\$ 1,573,452</u>

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

<u>Year Ending December 31,</u>	
2017	\$ 390,645
2018	390,645
2019	390,645
2020	260,605
2021	<u>86,490</u>
	<u>\$ 1,519,030</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

The following actuarial methods and assumptions were used in the January 1, 2016 funding valuation.

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	10 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	5.25%
Discount rate	5.25%
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 Plan was taken from the January 1, 2016 Actuarial Valuation presented by Milliman, Inc., signed by Scott F. Porter, FSA and Timothy J. Nugent, FSA, dated June 15, 2016.

County and Municipal Other Employees' Pension Plan

Plan Description

Effective January 1, 2015, the Town began to participate in the Delaware Public Employees Retirement System County and Municipal Other Employees Pension Plan ("DPERS Employee 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, 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, 2016, \$866,280 in payroll earnings were reported to and covered by the plan.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

The Town's contribution percentages were 6.21 percent for the period January 1, 2016 through June 30, 2016, and 6.76 percent for the period July 1, 2016 through December 31, 2016. The Town's contributions to the plan for the year ended December 31, 2016 totaled \$56,582 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.

As of December 31, 2016, the Town's membership in this plan is comprised of 22 active employees that are non-vested.

Benefits Provided

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 2016 and 2015, respectively.

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

Net Pension Liability, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions

At December 31, 2016, the Town reported a liability of \$124,341 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The Town's proportionate share of the net pension liability was based on the percentage of actual contributions, and was measured as the

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

difference between its proportionate share of the total pension liability (\$912,899) and its proportionate share of the DPERS Employee Plan's fiduciary net position (\$788,558). At June 30, 2016, the Town's proportion of the collective net pension liability was 2.0069 percent.

As of December 31, 2016, \$101,911 of the net pension liability is a liability related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position. The remaining \$22,430 of the net pension liability is recorded as a liability in the Electric Fund in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended December 31, 2016, the DPERS Employee Plan recognized pension expense of \$55,145. At December 31, 2016, the Town reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Difference between actual and expected experience	\$ 10,517	\$ 33,768
Difference between actual and expected investment returns	-	46,507
Changes of assumptions	-	18,166
Changes in proportions	-	25,329
Contributions made subsequent to the measurement date	-	33,702
	<u>\$ 10,517</u>	<u>\$ 157,472</u>

Deferred outflows resulting from the Town's contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ended December 31, 2017.

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

<u>Year Ending December 31,</u>	
2017	\$ 19,359
2018	19,359
2019	19,359
2020	21,775
2021	8,336
Thereafter	<u>25,065</u>
	<u>\$ 113,253</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

The following actuarial methods and assumptions were used in the June 30, 2015 actuarial valuation.

Actuarial Methods and Significant Assumptions

Investment rate of return	7.20%
Discount rate	7.20%
Inflation rate	2.50%
Projected salary increases	2.50% plus merit
Cost of living adjustments	0.00%
Mortality	RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees, and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

Asset Allocation and Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the DPERS Employee Plan's current and expected asset allocation are summarized in the following table:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	34.0%	5.7%
International equity	14.7%	5.7%
Fixed income	25.0%	2.0%
Alternative investments	20.9%	7.8%
Cash and equivalents	5.4%	0.0%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Town's total pension liability is 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the DPERS Employee Pension Plan, calculated using the discount rate of 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease 6.20%</u>	<u>Current Discount Rate 7.20%</u>	<u>1% Increase 8.20%</u>
Net pension liability	\$ 264,704	\$ 124,341	\$ 8,770

Plan Fiduciary Net Position

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 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.

Effective December 7, 2015, the Town approved a resolution that modified the retiree healthcare provisions. All uniformed police officers retiring after January 1, 2016 will be responsible for all retiree health insurance premiums as outlined in 18 *Del. C.* § 1928, with the understanding that the County and Municipal Police and Firefighters' Pension Plan will provide premium assistance in accordance with House Bill 213.

To the extent that the County and Municipal Police and Firefighters' Pension Plan does not pay 80 percent of the cost of an individual retiree's health insurance premium, the Town will pay the additional amounts to ensure that 80 percent of the retiree's health insurance premium is covered. This premium assistance will last for a period not to exceed 10 years or January 1, 2045, whichever occurs first. After this point, no additional premium assistance will be required from the Town of Smyrna.

The Town will not provide any health insurance premium coverage assistance to any dependents of qualified retirees.

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 2016, the Town contributed \$84,602 to the plan for current premiums, or approximately 94 percent of total premiums. Plan members receiving benefits contributed \$5,741, or approximately six percent of total premiums, through their required monthly contributions.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2016 totaled \$90,343.

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>2016</u>	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 337,048	\$ 1,177,633	\$ 1,087,249
Interest on OPEB obligation	144,185	120,230	95,812
Adjustment to annual required contribution	<u>(638,686)</u>	<u>(480,683)</u>	<u>(350,026)</u>
Annual OPEB cost (expense)	(157,453)	817,180	833,035
Contributions made	<u>(84,200)</u>	<u>(80,100)</u>	<u>(81,700)</u>
(Decrease) Increase in net OPEB obligation	(241,653)	737,080	751,335
Net OPEB obligation, beginning of year	<u>4,436,474</u>	<u>3,699,394</u>	<u>2,948,059</u>
Net OPEB obligation, end of year	<u>\$ 4,194,821</u>	<u>\$ 4,436,474</u>	<u>\$ 3,699,394</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 2016 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (Expense)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>NET OPEB Obligation</u>
2016	\$ (157,453)	-53%	\$ 4,194,821
2015	\$ 817,180	10%	\$ 4,436,474
2014	\$ 833,035	10%	\$ 3,699,394

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT POLICE 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 \$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.

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 4.50 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, 2016 was seven years.

NOTE 15 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2016, the Town contributed \$28,801 to the plan for current premiums, or 100 percent of total premiums.

Post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2016 totaled \$28,801.

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>2016</u>	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 812,913	\$ 703,347	\$ 726,147
Interest on OPEB obligation	97,456	83,485	66,227
Adjustment to annual required contribution	<u>(431,692)</u>	<u>(333,776)</u>	<u>(241,944)</u>
Annual OPEB cost (expense)	478,677	453,056	550,430
Contributions made	<u>(26,200)</u>	<u>(23,200)</u>	<u>(19,400)</u>
Increase in net OPEB obligation	452,477	429,856	531,030
Net OPEB obligation, beginning of year	<u>2,998,639</u>	<u>2,568,783</u>	<u>2,037,753</u>
Net OPEB obligation, end of year	<u>\$ 3,451,116</u>	<u>\$ 2,998,639</u>	<u>\$ 2,568,783</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation through fiscal year 2016 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>
2016	\$ 478,677	5%	\$ 3,451,116
2015	\$ 453,056	5%	\$ 2,998,639
2014	\$ 550,430	4%	\$ 2,568,783

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 4.50 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, 2016 was seven years.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 DEFERRED COMPENSATION PLAN

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

NOTE 17 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 COMMITMENTS AND CONTINGENCIES

The Town participates in state and county-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Town is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in disallowance of program expenditures.

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

<u>Project Name</u>	<u>Estimated Cost</u>	<u>Total Expended at 12/31/2016</u>
Waste Water System Project	\$ 7,175,000	\$ 7,136,023
North of Duck Creek – Water	2,223,000	2,048,074
Town of Smyrna Police Department Building	4,969,875	4,969,875
Mt. Vernon and Frazier Street water projects	759,975	615,381
	<u>\$15,127,850</u>	<u>\$14,769,353</u>

Certain projects totaling \$4,983,871 within the above-noted projects have been completed and placed in service.

NOTE 19 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 20 UNEARNED REVENUES

The Town received an advance payment of impact fees totaling \$931,241 in the General Fund. As of December 31, 2016, only an amount totaling \$535,242 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$395,999 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 21 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through July 11, 2017, 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 PLAN

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY			
Service cost	\$ -	\$ 331,406	\$ 327,657
Interest on total pension liability	245,249	604,841	568,978
Transfer from DPERS	1,204,038	-	-
Transfer to DPERS	-	(5,088,542)	-
Effect of economic/demographic (gain) or loss	1,056	(498,285)	44,041
Effect of assumption changes or inputs	(387,469)	1,372,943	-
Benefit payments	<u>(340,874)</u>	<u>(338,363)</u>	<u>(359,975)</u>
Net change in total pension liability	722,000	(3,616,000)	580,701
Total pension liability, beginning	<u>6,300,000</u>	<u>9,916,000</u>	<u>9,335,299</u>
Total pension liability, ending (a)	<u><u>\$ 7,022,000</u></u>	<u><u>\$ 6,300,000</u></u>	<u><u>\$ 9,916,000</u></u>
FIDUCIARY NET POSITION			
Employer contributions	\$ 49,032	\$ 480,531	\$ 743,174
Member contributions	-	102,816	94,055
Investment income (loss) net of investment expenses	56,627	(80,992)	163,108
Transfer from DPERS	999,844	-	-
Transfer to DPERS	(176,534)	(4,522,594)	-
Benefit payments	(340,874)	(338,363)	(359,975)
Administrative expenses	<u>(1,866)</u>	<u>(1,728)</u>	<u>(5,035)</u>
Net change in fiduciary net position	586,229	(4,360,330)	635,327
Fiduciary net position, beginning	<u>2,921,273</u>	<u>7,281,603</u>	<u>6,646,276</u>
Fiduciary net position, ending (b)	<u><u>\$ 3,507,502</u></u>	<u><u>\$ 2,921,273</u></u>	<u><u>\$ 7,281,603</u></u>
Net pension liability [(a) - (b)]	<u><u>\$ 3,514,498</u></u>	<u><u>\$ 3,378,727</u></u>	<u><u>\$ 2,634,397</u></u>
Plan fiduciary net position as a percentage of the total of the total pension liability	49.95%	46.37%	73.43%
Covered payroll	\$ 315,474	N/A	\$ 1,381,065
Net pension liability as a percentage of covered payroll	1114.04%	N/A	190.75%
Annual money-weighted return, net of investment expenses	2.19%	-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 and demographic gains and/or losses and changes of assumptions relate to the overall demographic changes of participants in the Plan, an increase in the discount rate from 4.00% to 4.50%, an increase in the expected investment rate of return from 4.00% to 4.50%, and the transfer of all but five active members of the Town's police force to the Delaware Public Employees' Retirement System (DPERS).

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

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 275,113	\$ 291,036	\$ 307,110
Interest on total pension liability	564,540	530,764	500,216
Effect of economic/demographic (gain) or loss	135,050	163,217	(34,663)
Effect of assumption changes or inputs	1,032,549	(81,634)	-
Benefit payments	<u>(345,252)</u>	<u>(304,383)</u>	<u>(194,963)</u>
Net change in total pension liability	1,662,000	599,000	577,700
Total pension liability, beginning	<u>9,304,000</u>	<u>8,705,000</u>	<u>8,127,300</u>
Total pension liability, ending (a)	<u><u>\$ 10,966,000</u></u>	<u><u>\$ 9,304,000</u></u>	<u><u>\$ 8,705,000</u></u>
FIDUCIARY NET POSITION			
Employer contributions	\$ 136,425	\$ 305,054	\$ 282,736
Member contributions	52,423	56,961	60,579
Investment income (loss) net of investment expenses	320,021	(163,460)	83,666
Benefit payments	(345,252)	(304,383)	(194,963)
Administrative expenses	<u>(2,456)</u>	<u>(1,949)</u>	<u>(4,159)</u>
Net change in fiduciary net position	<u>161,161</u>	<u>(107,777)</u>	<u>227,859</u>
Fiduciary net position, beginning	<u>7,977,299</u>	<u>8,085,076</u>	<u>7,857,217</u>
Fiduciary net position, ending (b)	<u><u>\$ 8,138,460</u></u>	<u><u>\$ 7,977,299</u></u>	<u><u>\$ 8,085,076</u></u>
Net pension liability [(a) - (b)]	<u><u>\$ 2,827,540</u></u>	<u><u>\$ 1,326,701</u></u>	<u><u>\$ 619,924</u></u>
Plan fiduciary net position as a percentage of the total of the total pension liability	74.22%	85.74%	92.88%
Covered payroll	2,293,689	2,367,385	2,446,089
Net pension liability as a percentage of covered payroll	123.27%	56.04%	25.34%
Annual money-weighted return, net of investment expenses	4.07%	-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 and demographic gains and/or losses and changes of assumptions relate to the overall demographic changes of participants in the Plan, changes in the assumed retirement age of participants, a decrease in the discount rate from 6.00% to 5.25%, and a decrease in the expected investment rate of return from 6.00% to 5.25%.

**TOWN OF SMYRNA
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COUNTY AND MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>June 30, 2016</u>
Town's proportionate share of the net pension liability	0.9953%
Town's proportion of the net pension liability - dollar value	\$ 158,206
Town's covered employee payroll	\$ 1,700,501
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	9.30%
Plan fiduciary net position as a percentage of the total pension liability	94.70%

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.

**TOWN OF SMYRNA
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY AND MUNICIPAL OTHER EMPLOYEES' PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>June 30, 2016</u>
Town's proportionate share of the net pension liability	2.0069%
Town's proportion of the net pension liability - dollar value	\$ 124,341
Town's covered employee payroll	\$ 866,280
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	14.35%
Plan fiduciary net position as a percentage of the total pension liability	86.38%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. The Town began participating in this Plan effective January 1, 2015; however, during 2015 the Town determined that the net pension liability and related deferred inflows and outflows of resources related to this Plan were immaterial to the financial statements taken as a whole and were, therefore, excluded from the financial statements. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

TOWN OF SMYRNA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN

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
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
2016	408,482	49,032	359,450	315,474	15.54%

Notes to Schedule

Valuation date: January 1, 2016
Actuarial cost method: Entry Age Normal (GASB Statement No. 67 version)
Amortization method: Level Dollar Amortization
Remaining amortization period: 10 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: 4.50%
Discount rate: 4.50%
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 PLAN**

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
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%
2016	377,097	136,425	240,672	2,293,689	5.95%

Notes to Schedule

Valuation date January 1, 2016
 Actuarial cost method Entry Age Normal (GASB Statement No. 67 version)
 Amortization method Level Dollar Amortization
 Remaining amortization period 10 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 5.25%
 Discount rate 5.25%
 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
SCHEDULE OF TOWN CONTRIBUTIONS
COUNTY AND MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>December 31, 2016</u>
Contractually required contribution	\$ 207,487
Contributions in relation to the contractually required contribution	<u>207,487</u>
Contribution excess	<u>\$ -</u>
Town's covered employee payroll	\$ 1,700,501
Contributions as a percentage of covered-employee payroll	12.20%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively beginning in the year of participation. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWN OF SMYRNA
SCHEDULE OF TOWN CONTRIBUTIONS
COUNTY AND MUNICIPAL OTHER EMPLOYEES' PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

	December 31, 2016
Contractually required contribution	\$ 56,582
Contributions in relation to the contractually required contribution	56,582
Contribution excess	\$ -
Town's covered employee payroll	\$ 866,280
Contributions as a percentage of covered-employee payroll	6.53%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. The Town began participating in this Plan effective January 1, 2015; however, during 2015 the Town determined that the net pension liability and related deferred inflows and outflows of resources related to this Plan were immaterial to the financial statements taken as a whole and were, therefore, excluded from the financial statements. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

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 (Expense)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Full-time Employees	12/31/2016	\$ 478,677	5.47%	\$ 3,451,116
Police	12/31/2016	(157,453)	-53.48%	4,194,821
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, 2016**

	<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	\$ 75,602	\$ 13,311	\$ 9,889	\$ 27,863	\$ 15,010	\$ 141,675
Investments	181,144	-	-	-	-	181,144
TOTAL ASSETS	<u>\$ 256,746</u>	<u>\$ 13,311</u>	<u>\$ 9,889</u>	<u>\$ 27,863</u>	<u>\$ 15,010</u>	<u>\$ 322,819</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,615	-	-	-	-	\$ 2,615
FUND BALANCES						
Restricted for:						
Police expenditures	-	13,311	9,889	27,863	15,010	66,073
Public works expenditures	254,131	-	-	-	-	254,131
TOTAL FUND BALANCES	<u>254,131</u>	<u>13,311</u>	<u>9,889</u>	<u>27,863</u>	<u>15,010</u>	<u>320,204</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 256,746</u>	<u>\$ 13,311</u>	<u>\$ 9,889</u>	<u>\$ 27,863</u>	<u>\$ 15,010</u>	<u>\$ 322,819</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
REVENUES						
Intergovernmental	\$ 202,096	\$ 8,763	\$ 5,050	\$ -	\$ 20,242	\$ 236,151
Investment income	224	-	-	-	-	224
TOTAL REVENUES	<u>202,320</u>	<u>8,763</u>	<u>5,050</u>	<u>-</u>	<u>20,242</u>	<u>236,375</u>
EXPENDITURES						
Current:						
Public safety - police	-	164	2,069	21,947	29,290	53,470
Public works	10,339	-	-	-	-	10,339
TOTAL EXPENDITURES	<u>10,339</u>	<u>164</u>	<u>2,069</u>	<u>21,947</u>	<u>29,290</u>	<u>63,809</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>191,981</u>	<u>8,599</u>	<u>2,981</u>	<u>(21,947)</u>	<u>(9,048)</u>	<u>172,566</u>
NET CHANGES IN FUND BALANCE	191,981	8,599	2,981	(21,947)	(9,048)	172,566
FUND BALANCES, BEGINNING 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>
FUND BALANCES, END OF YEAR	<u>\$ 254,131</u>	<u>\$ 13,311</u>	<u>\$ 9,889</u>	<u>\$ 27,863</u>	<u>\$ 15,010</u>	<u>\$ 320,204</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2016
(With Summarized Comparative Data for December 31, 2015)

	<u>Police Pension Trust Fund</u>	<u>Employee Pension Trust Fund</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
ASSETS				
Cash and cash equivalents	\$ 439,148	\$ 221,458	\$ 660,606	\$ 930,965
Accounts receivable	999,844	-	999,844	-
Interest receivable	-	4,879	4,879	6,656
Prepaid expense	19,813	23,924	43,737	43,705
Investments at fair value:				
Equities	-	1,027,799	1,027,799	959,930
Mutual funds	62,780	1,624,604	1,687,384	1,477,780
Fixed income	-	3,622,900	3,622,900	3,951,233
Exchange-traded funds	100,068	-	100,068	-
Insurance contracts	<u>1,895,344</u>	<u>1,622,327</u>	<u>3,517,671</u>	<u>3,545,075</u>
TOTAL ASSETS	<u><u>\$ 3,516,997</u></u>	<u><u>\$ 8,147,891</u></u>	<u><u>\$11,664,888</u></u>	<u><u>\$10,915,344</u></u>
 LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 9,495	\$ 9,431	\$ 18,926	\$ 16,772
 NET POSITION				
Net position restricted for pensions	<u>3,507,502</u>	<u>8,138,460</u>	<u>11,645,962</u>	<u>10,898,572</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,516,997</u></u>	<u><u>\$ 8,147,891</u></u>	<u><u>\$11,664,888</u></u>	<u><u>\$10,915,344</u></u>

TOWN OF SMYRNA
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Data for the Year Ended December 31, 2015)

	Police	Employee	Totals	
	Pension Trust Fund	Pension Trust Fund	2016	2015
ADDITIONS				
Contributions:				
Employer contributions	\$ -	\$ 136,425	\$ 136,425	\$ 646,138
Employee contributions	-	52,423	52,423	159,777
State aid - police	49,032	-	49,032	139,447
Returned member plan assets	999,844	-	999,844	-
Total Contributions	<u>1,048,876</u>	<u>188,848</u>	<u>1,237,724</u>	<u>945,362</u>
Investment Income (Loss):				
Interest and dividends	82,263	257,156	339,419	427,709
Net appreciation (depreciation) in fair value of investments	6,851	155,940	162,791	(488,833)
Total Investment Income (Loss)	<u>89,114</u>	<u>413,096</u>	<u>502,210</u>	<u>(61,124)</u>
Less investment expense	<u>32,487</u>	<u>93,075</u>	<u>125,562</u>	<u>183,328</u>
Net Investment Income (Loss)	<u>56,627</u>	<u>320,021</u>	<u>376,648</u>	<u>(244,452)</u>
TOTAL ADDITIONS	<u>1,105,503</u>	<u>508,869</u>	<u>1,614,372</u>	<u>700,910</u>
DEDUCTIONS				
Benefits paid	340,874	345,252	686,126	642,746
Transfer of assets to State retirement plan	176,534	-	176,534	4,522,594
Administrative expenses	1,866	2,456	4,322	3,677
TOTAL DEDUCTIONS	<u>519,274</u>	<u>347,708</u>	<u>866,982</u>	<u>5,169,017</u>
NET INCREASE (DECREASE) IN NET POSITION	586,229	161,161	747,390	(4,468,107)
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	<u>2,921,273</u>	<u>7,977,299</u>	<u>10,898,572</u>	<u>15,366,679</u>
End of year	<u>\$ 3,507,502</u>	<u>\$ 8,138,460</u>	<u>\$11,645,962</u>	<u>\$10,898,572</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.

TOWN OF SMYRNA

NET POSITION

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

Accrual basis of accounting

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Net investment in capital assets	\$ 16,902,771	\$ 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
Restricted for police projects	66,073	85,488	68,967	79,954	83,336	93,791	66,301	59,755	59,436	53,776
Restricted for public works projects	254,131	62,150	92,668	135,830	297,609	524,523	416,287	262,774	148,140	210,250
Unrestricted (deficit)	(8,731,027)	(7,506,315)	(5,598,175)	(824,096)	352,459	773,079	1,887,933	3,415,301	5,113,893	4,373,230
Total governmental activities net position	\$ 8,491,948	\$ 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
Business-type Activities										
Net investment in capital assets	\$ 29,772,917	\$ 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
Restricted for capital projects	729,995	597,161	1,409,939	195,702	236,335	1,036,547	162,953	848,290	-	-
Restricted for rural economic development	300,000	300,000	-	-	-	-	-	-	-	-
Unrestricted	538,448	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
Total business-type activities net position	\$ 31,341,360	\$ 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
Primary Government										
Net investment in capital assets	\$ 46,675,688	\$ 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
Restricted for police projects	66,073	85,488	68,967	79,954	83,336	93,791	66,301	59,755	59,436	53,776
Restricted for public works projects	254,131	62,150	92,668	135,830	297,609	524,523	416,287	262,774	148,140	210,250
Restricted for capital projects	729,995	597,161	1,409,939	195,702	236,335	1,036,547	162,953	848,290	-	-
Restricted for rural economic development	300,000	300,000	-	-	-	-	-	-	-	-
Unrestricted (deficit)	(8,192,579)	(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
Total primary government net position	\$ 39,833,308	\$ 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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities										
General government	\$ 1,280,321	\$ 1,443,523	\$ 894,143	\$ 916,169	\$ 819,583	\$ 979,679	\$ 639,478	\$ 991,556	\$ 541,804	\$ 759,203
Public safety	4,258,409	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
Public works	3,149,760	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
Planning and inspection	749,516	633,705	643,618	615,649	686,349	766,442	702,608	674,914	797,144	836,185
Library	376,293	341,392	381,152	341,844	339,695	292,287	245,271	290,558	272,447	283,318
Culture and recreation	407,472	355,338	387,046	312,689	276,295	206,521	325,927	308,638	356,473	301,762
Business park	-	-	-	312,689	-	10,360	11,155	11,370	13,325	12,805
Neighborhood housing rehabilitation	-	-	427	335	568	-	-	1,592	-	6,895
Interest on long-term debt	174,999	136,471	116,385	114,366	114,348	215,866	143,016	147,638	96,271	-
Total governmental activities	10,396,770	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
Business-type activities										
Electric	12,880,809	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
Water/Sewer	4,063,515	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
Slum clearance and redevelopment	10,375	12,669	-	-	-	-	-	-	-	-
Total business-type activities	16,954,699	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
Total primary government expenses	\$ 27,351,469	\$ 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
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 574,466	\$ 183,294	\$ 323,364	\$ 273,283	\$ 242,335	\$ 213,500	\$ 312,924	\$ 495,144	\$ 670,436	\$ 843,486
Public safety	129,685	131,790	131,470	156,739	151,054	118,042	95,411	98,743	140,480	104,268
Public works	1,397,513	1,354,741	1,323,104	1,260,599	1,163,188	1,138,606	1,065,489	943,340	890,563	981,985
Planning and inspection	404,847	320,600	479,485	369,639	474,028	323,075	389,704	507,841	564,419	657,992
Library	109,407	87,261	136,257	102,163	96,451	81,233	152,890	64,292	51,747	44,803
Operating grants and contributions	642,231	690,509	593,361	480,870	587,195	734,687	485,541	400,186	519,984	554,430
Capital grants and contributions	138,995	1,158,725	-	472,216	2,159,991	732,075	107,875	1,145,990	852,537	851,855
Total governmental activities	3,397,144	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
Charges for services										
Electric	14,307,479	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
Water/Sewer	3,962,367	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
Slum clearance and redevelopment	35,163	38,601	-	-	-	-	-	-	-	-
Operating grants and contributions	-	300,000	-	-	11,932	21,365	600,108	1,657,139	1,404,042	2,267,173
Capital grants and contributions	115,974	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
Total business-type activities	18,420,983	19,372,055	17,058,683	19,138,010	19,567,918	18,985,040	17,885,188	17,927,287	17,655,586	17,527,146
Total primary government program revenues	\$ 21,818,127	\$ 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
Net (Expense) Revenue										
Governmental activities	\$ (6,999,626)	\$ (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)
Business-type activities	1,466,284	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
Total primary government net expense	\$ (5,533,342)	\$ (3,730,663)	\$ (5,970,845)	\$ (2,971,622)	\$ (582,827)	\$ (2,643,155)	\$ (3,888,820)	\$ (1,334,611)	\$ (938,329)	\$ 780,276

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Revenues and Other Changes in Net Position										
Governmental activities										
Real estate taxes	\$ 3,456,413	\$ 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
Real estate transfer taxes	928,231	844,960	619,310	417,320	512,265	361,336	561,542	669,914	1,051,590	962,133
Franchise fees	191,544	187,919	181,844	169,336	193,997	146,203	143,993	132,249	125,903	116,123
Investment earnings	20,335	4,054	13,341	24,717	14,490	5,827	11,037	56,471	196,127	303,640
Miscellaneous income	49,223	23,349	46,346	16,699	174,438	117,937	193,559	167,996	75,126	42,196
Net gain on disposal of capital assets	-	-	-	-	-	-	-	-	602,138	-
Transfers	1,019,049	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
Total governmental activities	<u>5,664,795</u>	<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>
Business-type activities										
Investment earnings	100	107	154	546	148	140	121	479	2,396	1,805
Net gain on sale of capital assets	-	-	233,575	-	-	-	-	-	-	-
Transfers	(1,019,049)	(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)
Total business-type activities	<u>(1,018,949)</u>	<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>
Total primary government	<u>\$ 4,645,846</u>	<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>
Change in Net Position										
Governmental activities	\$ (1,334,831)	\$ (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
Business-type activities	447,335	2,025,091	93,578	2,080,476	1,928,480	1,350,672	969,773	2,476,798	1,256,957	1,971,442
Total primary government	<u>\$ (887,496)</u>	<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>

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nonspendable	\$ 88,594	\$ 86,086	\$ 91,477	\$ 85,899	\$ 83,944	\$ 82,451	\$ 25,781	\$ -	\$ -	\$ 45,080
Committed	1,990,952	2,341,229	2,341,229	-	-	-	-	-	-	-
Unassigned (deficit)	(53,232)	(310,317)	85,949	268,432	506,330	727,425	641,742	444,959	322,647	518,895
Total general fund	\$ 2,026,314	\$ 2,116,998	\$ 2,518,655	\$ 354,331	\$ 590,274	\$ 809,876	\$ 667,523	\$ 444,959	\$ 322,647	\$ 563,975
All Other Governmental Funds										
Committed	\$ 502,055	\$ 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
Restricted	320,204	147,638	161,635	215,784	380,945	618,314	482,588	322,529	207,576	264,026
Total all other governmental funds	\$ 822,259	\$ 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
Total governmental fund balances	\$ 2,848,573	\$ 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

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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Property taxes	\$ 3,413,338	\$ 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
Transfer taxes	928,231	844,960	619,310	417,320	512,265	361,336	561,542	669,914	1,051,590	962,133
Special assessment/impact fees	476,427	136,463	294,875	244,709	207,348	182,977	286,527	470,676	624,061	843,486
Charges for services	1,473,711	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
Inergovernmental	815,668	728,779	679,029	1,022,750	873,207	819,827	716,691	1,547,005	840,427	621,854
Licenses, fees, and permits	337,686	334,700	378,076	392,599	336,364	269,741	377,760	421,777	564,434	656,911
Fines and forfeits	123,931	44,542	142,462	123,365	214,892	130,298	87,287	62,553	85,312	76,161
Franchise fees	191,544	187,919	181,844	169,336	193,997	146,203	143,993	132,249	125,902	116,124
Investment income	20,335	4,054	13,341	24,717	14,490	5,827	11,037	56,471	196,127	303,640
Miscellaneous	222,997	111,286	153,783	100,844	276,449	185,096	243,616	183,538	84,212	108,219
Total revenues	8,003,868	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
Expenditures										
General government	1,087,840	1,228,783	632,914	706,987	616,650	747,625	545,566	609,219	717,819	569,885
Public safety	3,895,577	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
Public works	2,099,028	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
Planning and inspection	738,930	577,503	572,085	555,314	633,328	730,730	695,978	631,693	790,029	838,069
Library	319,931	309,270	341,625	295,043	305,978	264,527	234,277	261,747	256,168	212,443
Culture and recreation	336,324	300,727	352,336	304,463	240,646	176,990	313,789	276,030	351,120	306,941
Business park	-	-	-	-	-	10,360	11,155	11,370	13,325	12,805
Neighborhood housing rehabilitation	-	-	427	335	568	-	-	1,592	-	6,895
Debt service:										
Principal	4,156,308	154,587	129,000	126,850	122,550	18,640	111,549	106,904	58,921	-
Interest	175,064	136,394	116,294	114,261	114,214	88,146	143,232	147,877	89,851	-
Bond issuance costs	-	-	-	-	-	66,515	-	-	-	-
Capital outlays	1,568,041	2,683,062	955,183	474,378	416,257	80,925	303,907	4,047,151	1,929,437	592,002
Total expenditures	14,377,043	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
Deficiency of revenues under expenditures	(6,373,175)	(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)
Other Financing Sources (Uses)										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	624,367	2,710
Issuance of debt	-	66,405	-	-	-	-	-	-	-	-
Loan issuance	4,920,385	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	-	-	-	-	-	-	-	22,399	46,375	-
Transfers in	3,235,283	2,263,353	4,345,977	2,961,419	3,042,322	2,498,977	2,414,739	2,378,177	3,575,558	2,812,575
Transfers out	(2,216,234)	(920,991)	(2,497,829)	(771,530)	(416,514)	(412,256)	(1,132,976)	(1,120,900)	(1,347,405)	(337,881)
Total other financing sources (uses)	5,939,434	4,088,754	2,738,157	2,599,508	2,625,808	2,254,742	1,281,763	1,279,676	6,254,895	2,477,404
Net change in fund balances	\$ (433,741)	\$ (341,552)	\$ 181,707	\$ (70,877)	\$ 292,324	\$ (146,198)	\$ (906,214)	\$ (3,214,901)	\$ 2,940,316	\$ 656,405
Debt service as a percentage of noncapital expenditures	34%	3%	3%	3%	3%	1%	3%	4%	2%	0%

Source: Town financial reports

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Transfer Tax</u>	<u>Total</u>
2016	\$ 3,413,338	\$ 928,231	\$ 4,341,569
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

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

TOWN OF SMYRNA
ASSESSED VALUE AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
Last ten fiscal years ending December 31,
Unaudited

Fiscal Year	Real Property				
	Total Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value
2016	\$1,041,136,014	\$ 130,786,315	\$ 910,349,699	0.40000	*
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	*

* Property in the Town is not assessed annually; therefore, the estimated actual value is not available.
Source: Town of Smyrna Assessment Office

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

Fiscal Year	Overlapping Governments				
	Town of Smyrna	Total Direct Rate	Kent County	New Castle County	Smyrna School District - Kent County
2016	0.40000	0.40000	0.30000	0.70060	1.41910
2015	0.40000	0.40000	0.30000	0.70060	1.30770
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

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

TOWN OF SMYRNA
PRINCIPAL TAXPAYERS
Current Year and Seven Years Ago
Unaudited

Taxpayer	2016			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	5.46%	\$ 49,683,100	1	6.14%
Sunnyside Apartments	20,148,800	3	2.21%	**	**	**
Worthington Properties, LLC	18,850,900	4	2.07%	24,701,000	2	3.05%
Smyrna Professional Properties	18,239,100	5	2.00%	19,341,000	4	2.39%
Liborio III, LP	17,743,826	2	1.95%	22,780,400	3	2.81%
Smyrna Two LLC	14,487,500	6	1.59%	11,808,800	7	1.46%
Glenwood Associates, LLC	11,725,300	7	1.29%	11,720,300	8	1.45%
Loborio Christina, LLC	9,619,200	8	1.06%	**	**	**
Brenford Holdings, LLC	8,492,060	9	0.93%	**	**	**
Goldsborough Rd Dev LLC	7,023,790	10	0.77%	**	**	**
DLM, LLC	**	**	**	17,279,800	5	2.13%
Liborio 3, LLC	**	**	**	16,805,200	6	2.08%
Eagle View Associates	**	**	**	7,492,500	9	0.93%
Co, Beiser Group LLC	**	**	**	6,846,000	10	0.85%
Total	\$ 176,013,576		19.33%	\$ 188,458,100		23.29%

Source: Town of Smyrna Assessment Office

* Town has utilized the earliest available information

** Not in top ten

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

<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Collected Within Fiscal Year of the Levy</u>	<u>Percentage of Levy</u>	<u>Collected in Subsequent Years</u>	<u>Total (1)</u>	<u>Percentage of Levy</u>
2016	\$ 3,641,735	\$ 3,523,608	96.76%	\$ -	\$ 3,523,608	96.76%
2015	3,605,194	3,515,327	97.51%	64,737	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%

(1) Amount is net of discounts and penalties.

Source: Town financial reports

TOWN OF SMYRNA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last ten fiscal years ending December 31,

Unaudited

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (1)
	Loans	Capital Lease	Bonds	Loans	Bonds	Capital Lease			
2016	\$ 4,900,000	\$ 22,110	\$ 2,630,000	\$ 12,906,840	\$ 3,585,000	\$ 26,327	\$ 24,070,277	0.36%	\$ 2,159
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

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

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

Source: Town financial reports

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

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		
2016	\$ 2,630,000	\$ 22,110	\$ 4,900,000	0.83%	\$ 678
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%	-

(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

TOWN OF SMYRNA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2016
Unaudited

	<u>General Obligation Debt Outstanding</u>	<u>Estimated Percentage Applicable to Town of Smyrna</u>	<u>Estimated Share of Overlapping Debt</u>
Direct Debt			
Bonds Payable	\$ 2,630,000	100.00%	\$ 2,630,000
Capital Lease Payable	22,110	100.00%	22,110
Loans Payable	4,900,000	100.00%	4,900,000
Total direct debt	<u>7,552,110</u>		<u>7,552,110</u>
Overlapping debt (1)			
Kent County	9,069,581	0.62%	56,399
New Castle County	153,159,549	5.80%	8,883,254
Smyrna School District	23,247,932	88.19%	20,503,019
Total overlapping debt	<u>185,477,062</u>		<u>29,442,671</u>
Total direct and overlapping debt	<u>\$ 193,029,172</u>		<u>\$ 36,994,781</u>

Note:

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

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

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

Source: Town, County, and District Financial Reports

TOWN OF SMYRNA

LEGAL DEBT MARGIN INFORMATION

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt limit	\$ 40,966	\$ 40,519	\$ 39,530	\$ 39,437	\$ 38,376	\$ 38,358	\$ 37,603	\$ 36,435	\$ 32,266	\$ 29,672
Total net debt applicable to limit	24,070	21,440	18,513	15,706	14,343	13,692	11,258	10,378	10,792	7,791
Legal debt margin	<u>\$ 16,896</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	58.76%	52.91%	46.83%	39.83%	37.37%	35.70%	29.94%	28.48%	33.45%	26.26%
Total taxable assessment	\$ 910,350									
Debt limit percentage (1)	<u>4.50%</u>									
Debt limit	40,966									
Outstanding debt	24,070									
Legal debt margin	<u>\$ 16,896</u>									

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

TOWN OF SMYRNA
PRINCIPAL EMPLOYERS INSIDE TOWN LIMITS AND SURROUNDING MUNICIPALITIES
Current Year and Seven Years Ago
Unaudited

Employer	2016			2009*		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Walmart Distribution Center - Smyrna	700	1	25.96%	700	1	27.10%
Smyrna School District - Smyrna	664	2	24.63%	554	3	21.45%
Delaware Home & Hospital for the Chronically Ill - Smyrna	650	3	24.11%	650	2	25.16%
Eagle Group Metal Masters - Clayton	368	4	13.65%	368	4	14.25%
Hanover Foods - Clayton	213	5	7.90%	213	5	8.25%
Town of Smyrna - Smyrna	101	6	3.75%	98	6	3.79%
Total	2,696		100.00%	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

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

<u>Fiscal Year</u>	<u>Population of Town (1)</u>	<u>Personal Income - Kent County (2)</u>	<u>Per Capita Personal Income - Kent County (2)</u>	<u>Unemployment Rate - Kent County (3)</u>	<u>School Enrollment (4)</u>
2016	11,147	\$ 6,625,228,000	\$ 38,178	4.00%	5,233
2015	11,197	6,625,228,000	38,178	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

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 2015 personal income and per capita personal income information for both 2015 and 2016, since this information for 2016 is unavailable from the data source.

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

Function/Department	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government - Administration	16.00	17.00	16.00	16.00	14.00	14.00	14.00	14.00	15.00	14.00
Public Safety - Police	28.00	29.00	29.00	28.00	30.00	29.00	29.00	29.00	29.00	29.00
Public Works	15.00	12.00	13.00	13.00	13.00	12.00	11.00	11.00	14.00	12.00
Planning and Inspection	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	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	3.00	2.00	1.00	1.00	1.00	3.00	3.00	2.00
General Fund Total	<u>70.00</u>	<u>69.00</u>	<u>69.00</u>	<u>67.00</u>	<u>66.00</u>	<u>65.00</u>	<u>64.00</u>	<u>66.00</u>	<u>70.00</u>	<u>65.00</u>
Public Utilities	10.00	7.00	8.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00
Electric Fund Total	<u>10.00</u>	<u>7.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>
Public Utilities	4.00	4.00	3.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Water and Sewer Fund Total	<u>4.00</u>	<u>4.00</u>	<u>3.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>3.00</u>	<u>3.00</u>
Total Staff	<u>84.00</u>	<u>80.00</u>	<u>80.00</u>	<u>79.00</u>	<u>78.00</u>	<u>77.00</u>	<u>77.00</u>	<u>79.00</u>	<u>82.00</u>	<u>77.00</u>

Source: Town Financial Records

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

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety										
Calls for service	16,036	18,431	16,810	19,743	21,079	21,383	16,952	20,087	22,099	22,755
Criminal arrests	957	943	1,065	712	523	1,572	2,318	1,700	1,788	1,545
DUI arrests	49	68	81	98	110	96	70	122	140	*
Traffic warnings	557	1,004	1,321	2,447	2,433	2,503	1,707	2,012	2,107	*
Traffic arrests	2,285	2,211	2,670	3,747	4,240	3,084	3,084	3,286	4,955	3,237
Planning and Inspection										
Total fees collected for construction (1)	\$ 1,143,456	\$ 882,547	\$ 900,689	\$ 704,287	\$ 695,521	\$ 490,514	\$ 1,018,701	\$ 1,377,629	\$ 1,766,180	\$ 2,402,583
Construction inspections (2)	1,831	1,085	820	801	728	703	1,156	1,469	1,751	1,861
Building permits issued	642	389	272	312	324	341	497	582	610	581
Smyrna Public Library										
Number of registered borrowers	8,922	8,434	7,687	7,723	8,303	7,617	17,832	9,376	9,376	7,335
Attendance per year	89,704	88,025	84,713	87,432	89,411	82,987	81,722	82,127	78,895	69,731
Actual circulation	100,643	116,193	95,599	90,183	90,148	73,823	66,111	58,934	38,415	38,468
E-book circulation	4,909	6,096	-	-	-	-	-	-	-	-
Electronic materials	17,538	8,496	-	-	-	-	-	-	-	-
Number of books	23,422	24,312	21,824	23,843	23,751	21,566	26,254	22,149	20,246	22,132
Water										
Gallons billed	274,375,000	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
Connections	4,938	4,822	4,755	4,671	4,305	3,789	3,789	3,789	3,789	3,789
Electric										
Usage (kwh)	105,680,332	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
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.

(3) All available operating indicators have been presented.

* Information not available.

TOWN OF SMYRNA
CAPITAL ASSET INFORMATION

<u>TOWN SERVICE BUILDINGS</u>	<u>ACQUISITION DATE</u>
Town of Smyrna Administration Building 27 South Market Street Plaza Smyrna DE, 19977	January 1976
Town of Smyrna Police Department 325 West Glenwood Avenue Smyrna DE, 19977	January 1998 Addition completed April 2016
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

July 11, 2017

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 *Government 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 11, 2017.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control 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 CONTRC
OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

July 11, 2017

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 ("the Town"), Smyrna, Delaware's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect the Town's major federal program for the year ended December 31, 2016. The Town'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'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'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'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, Smyrna, Delaware, 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and recommendations as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the Town 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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'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.

To the Honorable Mayor and Town Council
Town of Smyrna

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
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 program:

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

Type of auditor's report issued on compliance for major program [*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 program:

CFDA Number

Name of Federal Program or Cluster

10.760

Water and Waste Disposal Systems for Rural Communities

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

2016-001 WRITTEN POLICIES AND PROCEDURES

Finding

During our current year audit, we noted that the Town has not developed and implemented certain written policies governing the Town's procedures and controls for the administration of its federal awards. As outlined in the Uniform Guidance, the Town must develop and implement procedures for the financial management of its awards (2 CFR 200.302), its policies and procedures governing cash management of federal awards (2 CFR 200.305), its conflict of interest policy (2 CFR 200.112), its policies and procedures for determining the allowability of costs and activities applied to its federal award programs (2 CFR 200.403), and its policy for reimbursing travel costs (2 CFR 200.474).

While we noted that the Town had developed a system of internal controls and procedures that provided for the proper administration and reporting of its federal awards, it had not formally documented these procedures and policies in a written format.

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (cont'd)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Recommendation

We recommend that the Town formalize its policies and procedures for the areas noted above in a written format, and that these policies and procedures be properly approved by the Finance Committee and Town Council. In addition, the Town will also need to implement formalized documentation of its procedures governing its procurement of goods and services in accordance with 2 CFR 200.318, as this is also a required policy beginning in 2017.

Management's Response

See management's corrective action plan.

**TOWN OF SMYRNA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	LOAN BALANCE	PASS THROUGH TO SUB- RECIPIENTS
U.S Department of Agriculture Water and Waste Disposal Systems for Rural Communities	D	10.760	N/A	\$ 2,270,029	\$ 1,977,678	-
Community Facilities Loans and Grants	D	10.766	N/A	4,900,000	4,900,000	-
Rural Business Enterprise Grants	D	10.351	N/A	13,000	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				7,183,029	6,877,678	-
U.S. Department of Justice Criminal Division Equitable Sharing Project	D	16.922	N/A	20,162	-	-
TOTAL U.S. DEPARTMENT OF JUSTICE				20,162	-	-
U.S. Environmental Protection Agency Passed through Delaware Department of Natural Resources and Environmental Control Capitalization Grants for Clean Water State Revolving Funds	I	66.458	DNREC	1,478,178	-	-
Capitalization Grants for Drinking Water State Revolving Funds	I	66.468	3012CS	462	-	-
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY				1,478,640	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 8,681,831	\$ 6,877,678	\$ -

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 FEDERAL LOAN PROGRAMS

USDA Loan Programs

Loan payable issued by the USDA in the total amount of \$2,233,000 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. The balance as of December 31, 2016 is \$1,977,678.

Loan payable issued by the USDA in the amount of \$4,900,000 to finance the renovations to the Police Department building. The loan matures in December 2056 and bears an interest rate of 2.38 percent. The balance as of December 31, 2016 was \$4,900,000.

NOTE D 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, 2016, there were no indirect costs included in the schedule of expenditures of federal awards.



Town of Smyrna

GARY F. STULIR, ACTING TOWN MANAGER

Date: July 11, 2017

To Whom It May Concern:

The Township of Smyrna respectfully submits the following management response for the year ended December 31, 2016, based on the schedule of findings and recommendations included in the following audit report:

Audit Period: January 1, 2016 – December 31, 2016

Auditor: Barbacane, Thornton & Company LLP
Certified Public Accountants
200 Springer Building, 3411 Silverside Road
Wilmington, DE 19810

Finding 2016-001 Written Policies and Procedures

Condition

The Town has not developed and implemented certain written policies governing the Town's procedures and controls for the administration of its federal awards. As outlined in the Uniform Guidance, the Town must develop and implement procedures for the financial management of its awards (2 CFR 200.302), its policies and procedures governing cash management of federal awards (2 CFR 200.305), its conflict of interest policy (2 CFR 200.112), its policies and procedures for determining the allowability of costs and activities applied to its federal award programs (2 CFR 200.403), and its policy for reimbursing travel costs (2 CFR 200.474).

While it was noted that the Town has developed a system of internal controls and procedures that provide for the proper administration and reporting of its federal awards, it has not formally documented these procedures and policies in a written format.

Recommendation

The auditors recommended that the Town formalize its policies and procedures for the areas noted above in a written format, and that these policies and procedures be properly approved by the Finance Committee and Town Council. In addition, the Town will also need to implement formalized documentation of its procedures governing its procurement of goods and services in accordance with 2 CFR 200.318, as this is also a required policy beginning in 2017.

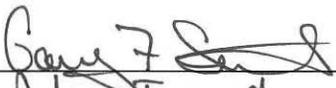
ANTHONY H. DEFE0 · ROBERT C. JOHNSON · ALVIN C. POPE · WILLIAM D. PRESSLEY SR. · PETER M. RETZLAFF · VALERIE M. WHITE
27 SOUTH MARKET STREET PLAZA · P.O. BOX 307 · SMYRNA, DELAWARE 19977

Action Taken

The Town takes great pride in its strong internal systems. However, due to turnover in the Town's administration during the year, the Town did not have sufficient resources to dedicate to the development of these policies. Currently, the Town has strong internal controls and internal policies that ensure that federal award programs are effectively administered; nevertheless, we agree with the audit finding. The required policies will be developed and implemented during 2017 to ensure compliance with the Uniform Guidance requirements.

Responsible Contact Person: Gary F. Stulir, Chief Financial Officer and Acting Town Manager

Anticipated Completion Date: December 31, 2017

Signature: 
Title: Acting Town Manager

ANTHONY H. DEFELO · ROBERT C. JOHNSON · ALVIN C. POPE · WILLIAM D. PRESSLEY SR. · PETER M. RETZLAFF · VALERIE M. WHITE
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