



**TOWN of**  
**Smyrna**  
**DELAWARE**

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2017**

**Prepared by:**

**Gary F. Stulir, Town Manager**

**Business Office Staff**

**INTRODUCTORY SECTION**



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*Town of Smyrna*  
GARY F. STULIR, TOWN MANAGER

June 25, 2018

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

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") for the Town of Smyrna ("the Town"). This report is for the fiscal year ended December 31, 2017. This report is published to comply with the provisions of Section 8.4 of the Town Code. The CAFR is a report that tells the financial story of the Town through narrative, financial statements and charts/graphs. The CAFR not only gives the summary and detailed information for the year being reported, but also includes information for the previous ten years. It is also intended to provide financial data to the tax and ratepayers, bondholders, trustees, banks, federal and state agencies, and the financial community at large.

The preparation of a CAFR takes the financial reporting of the Town to the highest level. Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. We believe the data as presented is accurate in all material respects. It is presented in a manner designed to fairly present the financial position and results of operations of the Town as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a clear understanding of the Town's financial affairs have been included.

The financial statements in this report have been audited by Barbacane, Thornton and Company LLP, an independent firm of certified public accountants as required by section 8.4 of the Town Code. Barbacane, Thornton and Company LLP has provided unmodified opinions on the Town's financial statements for the year ended December 31, 2017. The independent auditor's report is located at the front of the financial section of this report.

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

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BUSINESS OFFICE/BILLING 302-653-9231  
Fax 302-653-3492

MANAGER'S OFFICE 302-653-9231  
Fax 302-653-3492

PERMITS/INSPECTIONS 302-653-3486  
Fax 302-659-4169

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

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

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

## **Profile of the Town**

This CAFR includes all funds of the Town, consistent with the guidance contained in the GASB Codification of Governmental Accounting and Financial Reporting Standards 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, the Town 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 center of Newark and Wilmington, makes it a competitive location for business. Smyrna's historic small town atmosphere and its great pride in its quality of life and educational system make it highly desirable for families and homeowners. 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 Smyrna as having the largest number of residential building permits of any municipality in the 2008 and 2009 years. Delaware Today magazine in the March 2016 issue named Smyrna as one of the ten 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 11,513 as of December 2017. 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,

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

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moving ahead of Millford 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.

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 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 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 of each year, adopt a budget for the succeeding fiscal year. This annual budget serves as the foundation for the Town of Smyrna's financial planning and control. The budget is prepared by fund and department.

## **Town Facilities and Departments**

The Town's main administration building located at 27 South Market Street Plaza houses the Town Manager's Office, Business Office, Planning and Inspection Office, and Council Chambers. The Town Manager is responsible for implementing policies enacted by the Mayor and Council by providing day-to-day administration and operational management of the Town Staff. The Business Office

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

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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 23 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.

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 155<sup>th</sup> anniversary, is located in the historic Smyrna Opera House and is located at 107 South Main Street. It is open to the public six days a week.

## **Local Economy**

The Town has continued to witness new development. 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 4.2 percent, as compared to 4.0 percent in the prior year, and is slightly lower than the State's unemployment rate of 4.5 percent.

While new construction continued during the fiscal year, construction fees received decreased by approximately two percent from the prior year. The Town issued approximately 523 building permits with a construction value of approximately \$16.4 million.

The Town 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. Articles started to appear in the Wilmington News Journal in 2015 and 2016 claiming Smyrna is becoming "cool" as a result of growth in the food, beverage, and entertainment sectors. This trend continued in 2017 with an article titled "Business boom continues in Smyrna," in the Delaware State News dated June 23, 2017.

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

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Favorable media attention has added to this "buzz" that is reflected in new businesses such as: Yarn Maven that expanded and relocated, One North Main Eats and Sweets, Lemon Leaf Cafe and Jr's Pub, and the Texas Maverick BBQ and Smyrna Music Hall.

Coming soon will be the first phase of construction at the Smyrna Business Campus (a 200-acre privately developed business park) in the northern part of town. This project will kick off the development of the site with a 60,000 square foot building and related infrastructure improvements in keeping with its new conceptual design. This project was made possible by the Town's forward thinking commitment to bring water and sewer and electric infrastructure north of Duck Creek over the past few years.

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 DDD is estimated to exceed \$1,500,000. In August 2017, the State approved the Town's request to expand the district boundaries. The boundary expansion grew the district from 288 parcels to 589 parcels, and increased the size of the district from 70.69 acres to 139.4 acres, thus providing greater opportunity for new housing and commercial private re-investment in Smyrna. The first DDD housing redevelopment was 10 North Market Street, which was completed in 2017.

There were 10 applications to the Smyrna Redevelopment Authority ("RDA") for facade improvements in 2017. Facade grants up to \$2,500 are available for façade improvements. The average reinvestment for façade projects have exceeded \$18,000, representing a public/private reinvestment ratio of six to one.

The Town successfully applied for and received a Neighborhood Building Blocks Grant in the amount of \$68,000 in 2016-2017 to be used for downtown closed circuit ("CCTV") cameras and for the construction of a "Pocket-Park" public space as part of the Town's safety and beautification efforts.

## **Long-term Financial Planning**

The Town's long-term financial planning analysis is part of its annual budgetary meetings. Specifically, long-term capital projects and significant operating costs are considered. The Town is currently overseeing two significant capital projects related to the Wastewater and Water infrastructure projects. Funding for these projects will be derived primarily from federal and state funding through a combination of grants and low-interest loans.

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

Post-employment benefits cost continue to have a significant impact on the Town's financial condition as a result of the continued implementation of GASB Statement No. 45 requirement which became effective in 2009. The GASB now requires that governments disclose the actuarial valuation of its post-employment benefits. Governments are not required to fund this liability or make a contribution.

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

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However, the GASB standards require that the government disclose these amounts in its financial statements. According to the GASB, governments may choose to advance fund their OPEB liability with an OPEB annual contribution.

The Town has a single-employer defined benefit healthcare plan that qualifies as a post-employment healthcare plan. The Plan provides medical insurance benefits to eligible retirees and their spouses. The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you go financing requirements, with any additional amount to prefund as determined annually by the Town Council.

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

## **Major Initiatives**

Phase I of the downtown "four corners" project was completed in 2009 which involved significant upgrades to the electric, street, water, and sewer infrastructure; also, the Town completed a downtown streetscape project which involved installing new brick sidewalks and lamp posts, and the placement of utilities underground. This initiative fostered additional private development and renovation in the historic core of our central business district. The Town recently completed water, sewer, street, and electric improvements in the "four corners" portion of Commerce Street. This initiative improved utilities and the commercial vitality of two more blocks of the historic downtown area. Two underutilized historic buildings at the "four corners" have undergone extensive renovations to support a bakery, a recently opened fine dining establishment, and upscale downtown apartments. The state's first stand-alone micro-distillery opened in 2014 in a renovated historic building downtown as well.

In 2010, Town Council authorized the borrowing of up to \$5,975,000 from the Delaware Water Pollution Control Revolving Fund to finance a number of municipal projects to improve, upgrade, and expand the Town of Smyrna 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 along with plans for sewer extensions in support of future economic development opportunities and residential growth. Both projects were substantially underway by the end of 2013 and should be online in 2018. 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. To date, about 20 percent to 25 percent of the total volume of trash is recycled, saving the Town and its residents on disposal costs and helping to improve the environment.

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

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The Town initiated planning, completed a needs assessment, and fostered the organization of a citizens-based Library Guild to begin the process of obtaining a new, regional library to be located in the middle of historic downtown. Significant design and site analyses have been completed with ongoing discussion about how to best address long-term operating and maintenance requirements. A governance study was recently completed through the University of Delaware's Institute for Public Policy to address long-term operation, maintenance, and management. Preliminary architectural and site design are underway; one of two smaller parcels desired for the site has been acquired, and negotiations are underway for the remaining parcel. Additionally, the Town worked in collaboration with another citizen's based "Friends" group to preserve and promote the historically significant Belmont Hall building and site. This previously underutilized asset is now open for public use and hosts numerous educational, cultural, and other events.

During 2013, a needs assessment and preliminary design and engineering were undertaken for construction of a major renovation and expansion of the Smyrna Police Department. The Town 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 Authority 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, the first such grant awarded in the State of Delaware. The funds supported a \$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 (RBEG 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.

During 2017, preliminary design and engineering were undertaken to replace the aging water/sewer infrastructure along south main street. The Town is seeking funds from the Delaware Drinking Water State Revolving Fund to finance this project.

The Town is an active member of the Greater Kent Committee, the Kent County Economic Development Roundtable, and the Central Delaware Chamber of Commerce; and through its Economic Development Committee and with professional economic development consulting services, the Town adopted an Economic Development Strategy Plan and is actively implementing business retention and recruitment programs to enhance 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.

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

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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.

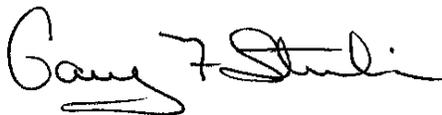
The Town budgets and expends funds following the Town Code. The Town's annually required budgets are the approved spending plan for the fiscal year and is revised as necessary, in compliance with the requirements of the Town Code. Legal budgetary control is maintained at the department level under the direction of the Town Manager.

### **Awards and 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, 2016. 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 eighth time Smyrna has been recognized by the GFOA.

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

The completion of this CAFR represents the ninth time the Town has prepared such a report and demonstrates a commitment to continue the excellence in financial reporting. The preparation of the CAFR was made possible by the dedicated service of the Business Office. They have our sincere appreciation for the contributions made in the preparation of this report, as well as all additional individuals who assisted in this effort. Appreciation is also expressed to the Town Council for their cooperation and outstanding assistance in matters pertaining to the financial affairs of the Town.



Gary F. Stulir  
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, 2016**

*Christopher P. Morill*

Executive Director/CEO

**TOWN OF SMYRNA**

List of Elected and Appointed Officials

December 31, 2017

**Elected Officials**

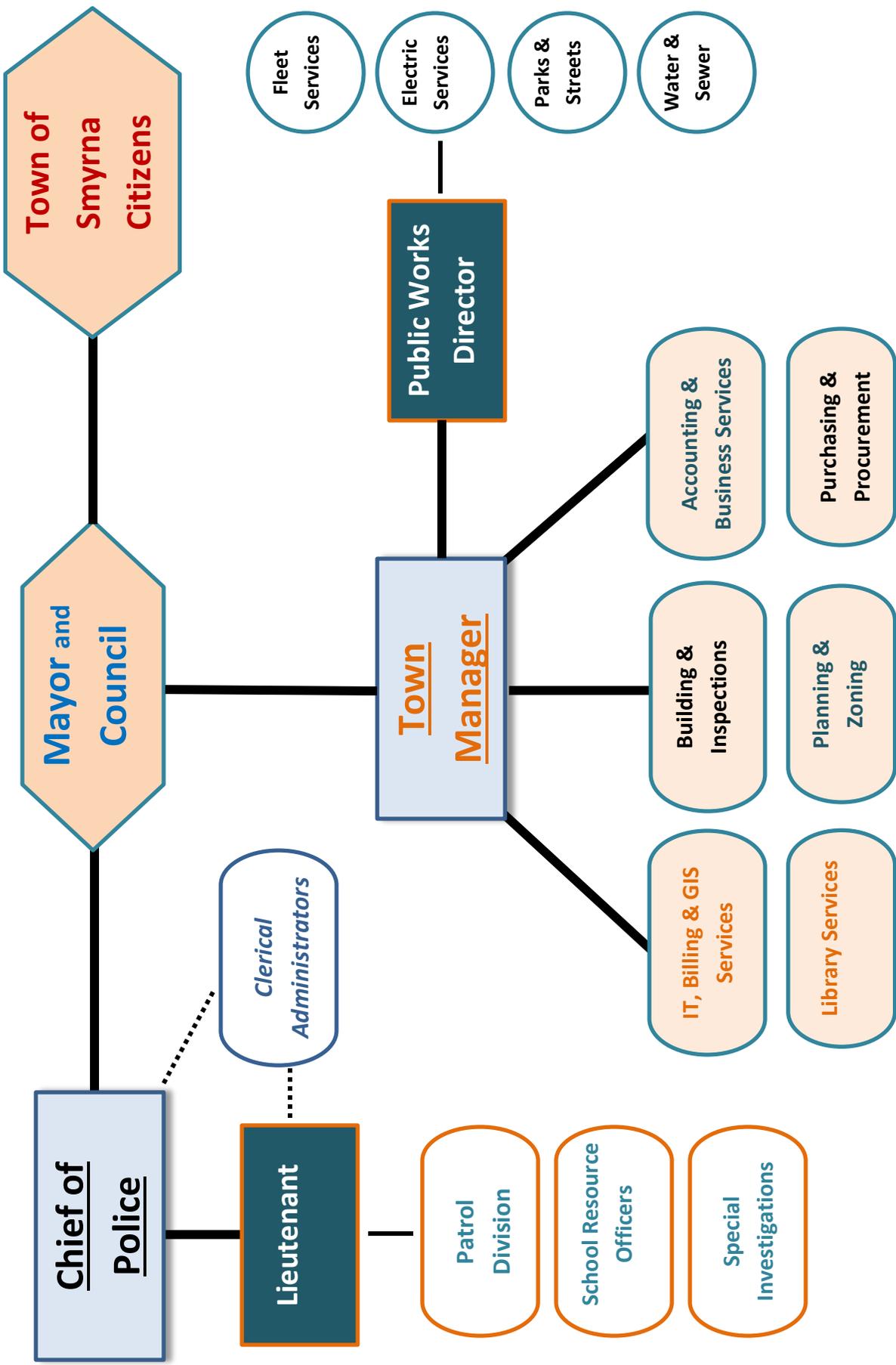
John L. Embert III  
Peter Retzlaff  
Alvin C. Pope  
Valerie M. White  
Robert Johnson  
William D. Pressley, Sr.  
Anthony H. DeFeo

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  
D. Barret Edwards, IV

Town Manager  
Police Chief  
Attorney



**2017 TOWN of SMYRNA  
ORGANIZATIONAL CHART**

## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

June 25, 2018

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, 2017, 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

To the Honorable Mayor and Town Council  
Town of Smyrna

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### 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, 2017, 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 2016 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 July 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### 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 and required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) 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 combining nonmajor governmental fund financial statements and combining fiduciary fund financial statement 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 and combining fiduciary fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, 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*  
BARBACANE, THORNTON & COMPANY LLP

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
DECEMBER 31, 2017**

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, 2017. 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 64 percent of total revenues, and program revenues accounted for 36 percent of total revenues (prior year, 63 percent and 37 percent, respectively). Total revenues increased primarily due an increase in property taxes and transfer tax revenues. As new properties are added to the tax roll, property taxes will continue to increase over time. In addition, the sale of real estate will continue to increase transfer tax revenues.
- In the governmental activities, current total expenses increased from \$10,396,770 in 2016 to \$10,657,622 in 2017. This represents a three percent increase. The increase was primarily due to an increase in public works maintenance expenses.
- Total revenues in the Town's general fund increased from \$7,608,695 in 2016 to \$8,142,972 in 2017. This represents approximately a seven percent increase. The increase is primarily attributed to an increase in property tax revenues and transfer tax revenues brought about by an increase in the Town's tax rolls from the addition of new properties and an increase in the sale of real estate transactions, respectively.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,097,807, which is an increase from the prior year balance of \$2,848,573. This increase is primarily due to transfers in from the electric fund subsidizing the capital improvement fund for certain capital expenditures.
- As of the end of the current fiscal year, the Town's business-type activities reported a net position of \$31,748,170, an increase of \$406,810 as compared to the prior year. The current year increase in net position can be attributed primarily due to a reduction in transfers out subsidizing the general fund.
- 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 \$6,802,063 and \$6,624,585 at December 31, 2017 and December 31, 2016, respectively.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2017**

## **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, 2017**

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-*

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2017**

*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.

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. The required supplementary information can be found on pages 97 to 105 of this report.

***Other Information.*** The combining statements referred to earlier in connection with the Nonmajor Governmental Funds and the Combining Fiduciary Funds are presented immediately following the required supplementary information. 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39,215,259 at the close of the most recent calendar year. The table below summarizes the net position of the Town at December 31, 2017 and 2016.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2017**

**STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Assets:</b>						
Current and other assets	\$ 4,608,940	\$ 4,804,046	\$ 5,821,597	\$ 6,242,710	\$10,430,537	\$11,046,756
Capital assets	23,550,896	24,464,881	45,976,566	46,291,084	69,527,462	70,745,965
<b>Total Assets</b>	<b>28,159,836</b>	<b>29,258,927</b>	<b>51,798,163</b>	<b>52,533,794</b>	<b>79,957,999</b>	<b>81,792,721</b>
<b>Deferred Outflows of Resources</b>						
	1,361,554	1,502,645	537,762	905,480	1,899,316	2,408,125
<b>Liabilities:</b>						
Long-term liabilities	20,121,745	19,893,291	16,965,407	17,533,736	37,087,152	37,427,027
Other liabilities	1,529,202	2,003,498	3,483,620	4,538,625	5,012,822	6,542,123
<b>Total Liabilities</b>	<b>21,650,947</b>	<b>21,896,789</b>	<b>20,449,027</b>	<b>22,072,361</b>	<b>42,099,974</b>	<b>43,969,150</b>
<b>Deferred Inflows of Resources</b>						
	403,354	372,835	138,728	25,553	542,082	398,388
<b>Net Position:</b>						
Net investment in capital assets	16,211,753	16,902,771	30,592,045	29,772,917	46,803,798	46,675,688
Restricted	304,550	320,204	1,133,060	1,029,995	1,437,610	1,350,199
Unrestricted (deficit)	(9,049,214)	(8,731,027)	23,065	538,448	(9,026,149)	(8,192,579)
<b>TOTAL NET POSITION</b>	<b>\$ 7,467,089</b>	<b>\$ 8,491,948</b>	<b>\$31,748,170</b>	<b>\$31,341,360</b>	<b>\$39,215,259</b>	<b>\$39,833,308</b>

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 (four percent) represents resources that are subject to restrictions on how they may be used.

The Town's net position decreased by \$618,049 during the current year.

**Governmental Activities.** Governmental activities decreased the Town's net position by \$1,024,859. The reduction in net position is slightly less than the prior year reduction. This is primarily due to an increase in property tax and transfer tax revenues.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2017**

**Business-type Activities.** Business-type activities increased the Town's net position by \$406,810. The current year increase in net position can be attributed primarily due to a reduction in electric purchases for Town use and reduced salaries and wages related to certain nonrecurring payouts that occurred in the prior year. In addition, the Town is aggressively monitoring its expenses.

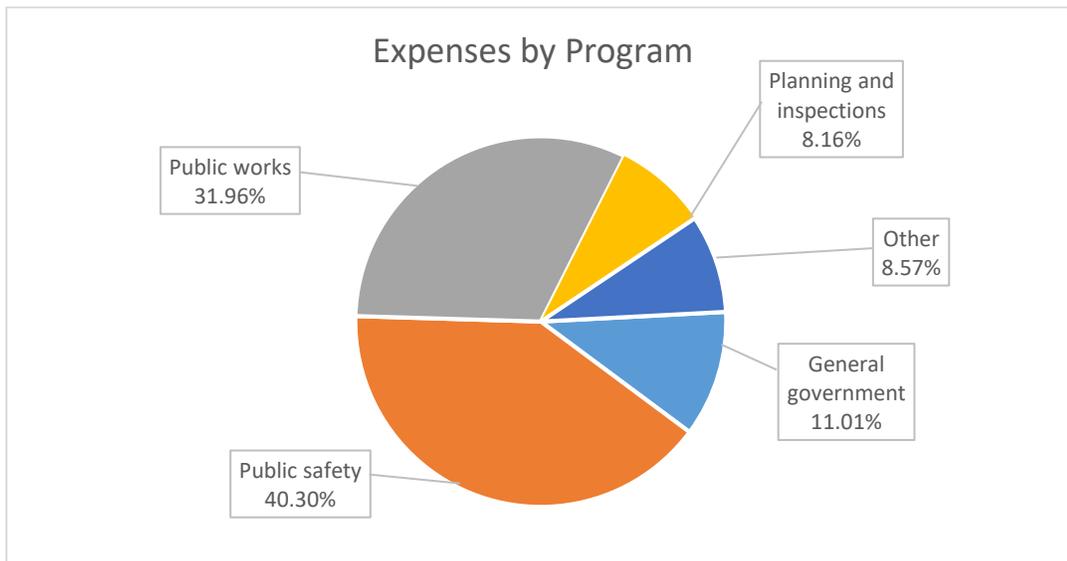
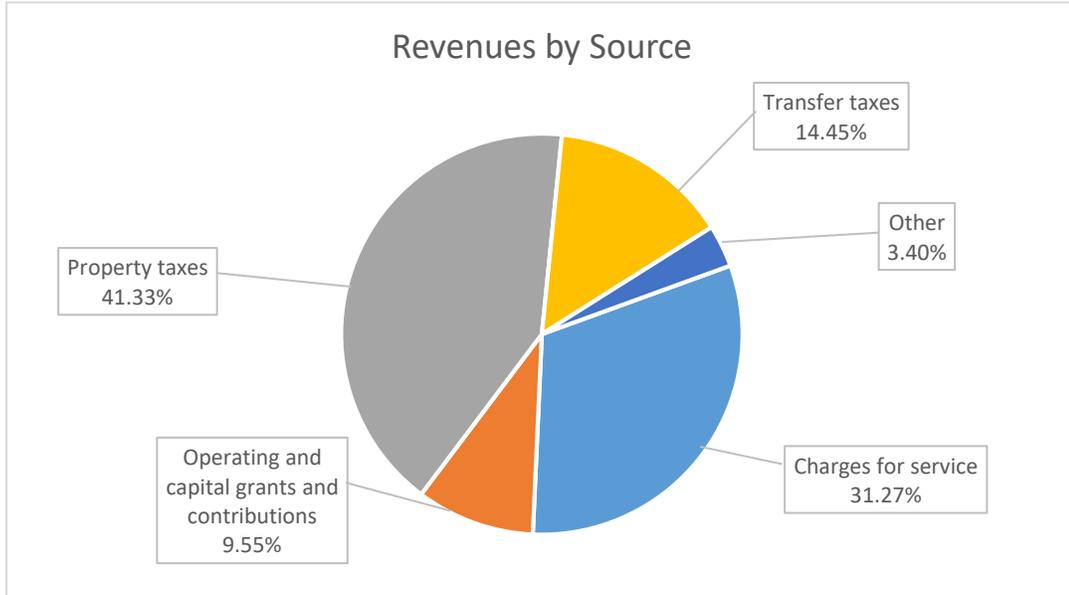
Changes in the net position of the Town are highlighted in the table presented below.

**STATEMENT OF CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 2,684,069	\$ 2,615,918	\$17,730,846	\$18,305,009	\$20,414,915	\$20,920,927
Operating grants and contributions	676,609	642,231	54,227	-	730,836	642,231
Capital grants and contributions	143,091	138,995	262,637	115,974	405,728	254,969
General revenues:						
Property taxes	3,547,537	3,456,413	-	-	3,547,537	3,456,413
Transfer taxes	1,239,454	928,231	-	-	1,239,454	928,231
Franchise fees	199,920	191,544	-	-	199,920	191,544
Investment earnings	29,436	20,335	127	100	29,563	20,435
Other	62,438	49,223	-	-	62,438	49,223
<b>TOTAL REVENUES</b>	<u>8,582,554</u>	<u>8,042,890</u>	<u>18,047,837</u>	<u>18,421,083</u>	<u>26,630,391</u>	<u>26,463,973</u>
<b>EXPENSES</b>						
General government	1,173,230	1,280,321	-	-	1,173,230	1,280,321
Public safety	4,294,862	4,258,409	-	-	4,294,862	4,258,409
Public works	3,406,500	3,149,760	-	-	3,406,500	3,149,760
Planning and inspection	869,710	749,516	-	-	869,710	749,516
Library	388,834	376,293	-	-	388,834	376,293
Culture and recreation	421,795	407,472	-	-	421,795	407,472
Interest on long-term debt	102,691	174,999	-	-	102,691	174,999
Electric	-	-	12,469,844	12,880,809	12,469,844	12,880,809
Water/sewer	-	-	4,053,743	4,063,515	4,053,743	4,063,515
Smyrna slum clearance RDF	-	-	67,231	10,375	67,231	10,375
<b>TOTAL EXPENSES</b>	<u>10,657,622</u>	<u>10,396,770</u>	<u>16,590,818</u>	<u>16,954,699</u>	<u>27,248,440</u>	<u>27,351,469</u>
Change in net position before transfers	(2,075,068)	(2,353,880)	1,457,019	1,466,384	(618,049)	(887,496)
Transfers	1,050,209	1,019,049	(1,050,209)	(1,019,049)	-	-
<b>CHANGE IN NET POSITION</b>	<u>(1,024,859)</u>	<u>(1,334,831)</u>	<u>406,810</u>	<u>447,335</u>	<u>(618,049)</u>	<u>(887,496)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<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>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 7,467,089</u>	<u>\$ 8,491,948</u>	<u>\$31,748,170</u>	<u>\$31,341,360</u>	<u>\$39,215,259</u>	<u>\$39,833,308</u>

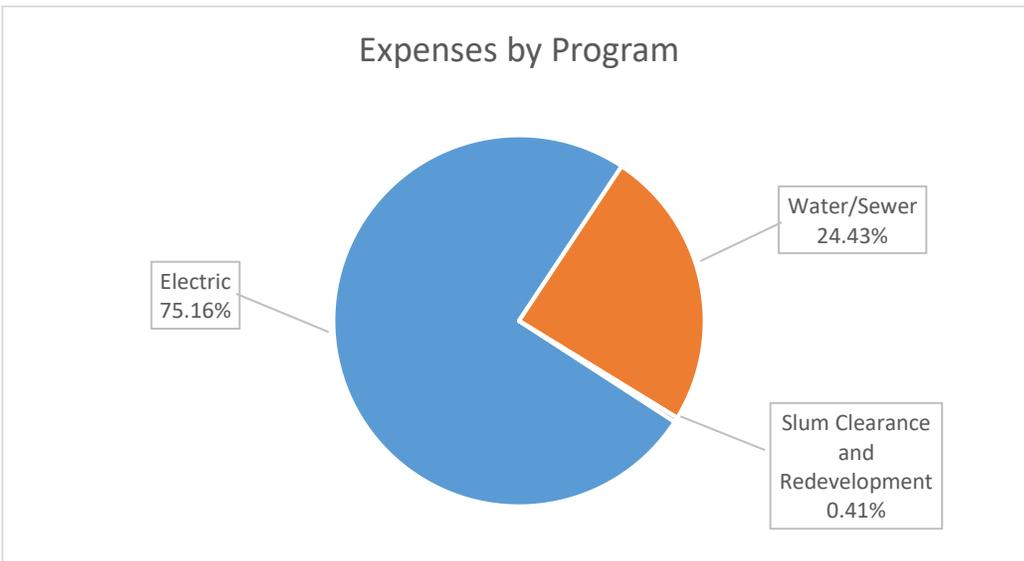
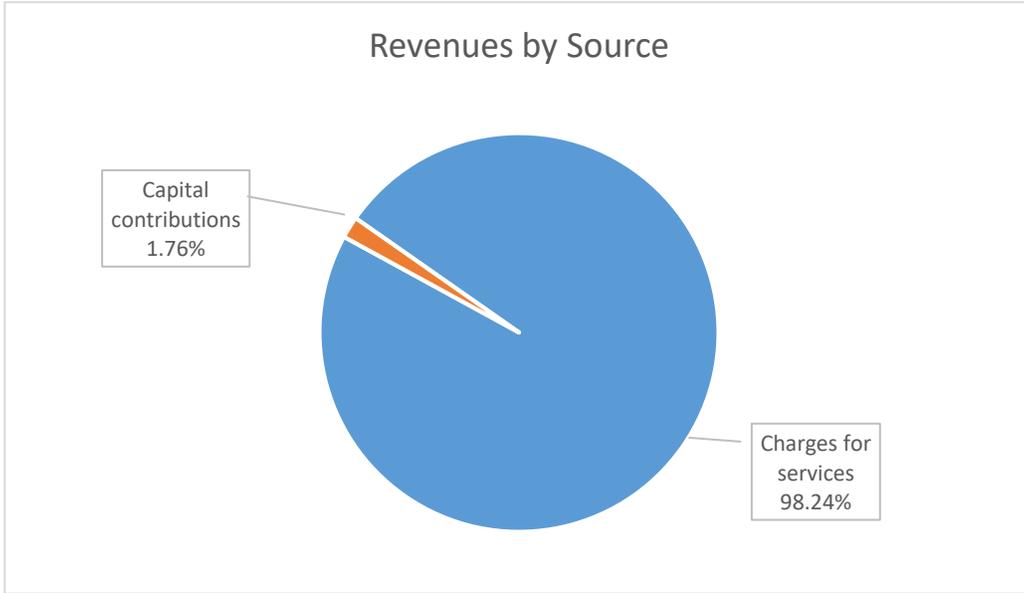
**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2017**

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, 2017**

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, 2017**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town's *Governmental Funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the calendar year.

As of the end of the current calendar year, the Town's Governmental Funds reported combined ending fund balances of \$3,097,807. The primary component of this figure is the fund balance of the General Fund at \$2,028,260, 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 \$2,028,260, of which a deficit of \$41,906 was considered unassigned.

The fund balance of the Town's General Fund increased slightly by \$1,946 during the current calendar year. This is mostly due to an increase in property tax and transfer tax revenues. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

The fund balance of the Town's Capital Improvement Fund increased by \$262,942 during the current calendar year. This increase is primarily due to an increase in net transfers in from the electric fund to fund certain capital project expenditures.

**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 \$23,065. The change in net position for the Electric Fund was an increase of \$393,792, an increase in the Water and Sewer Fund of \$40,001, and a decrease in the RDF fund of \$26,983. 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:

- Actual revenues exceeded budgeted revenues by \$1,110,172 primarily due to receiving more in transfer taxes, impact fees, grant revenues, and miscellaneous revenues than was anticipated and budgeted for.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2017**

- Actual expenditures were \$285,225 under budget primarily due to the Town aggressively monitoring its expenditures by implementing cost efficiencies.

**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, 2017 amounts to \$69,527,462 (net of accumulated depreciation). The following table shows the breakdown of this figure.

**CAPITAL ASSETS  
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 1,738,359	\$ 1,740,874	\$ 430,952	\$ 430,952	\$ 2,169,311	\$ 2,171,826
Construction-in-progress	-	-	3,175,942	7,080,745	3,175,942	7,080,745
Land improvements	209,681	234,459	-	-	209,681	234,459
Buildings and improvements	9,681,185	9,922,398	2,200,767	2,262,538	11,881,952	12,184,936
Infrastructure	10,923,740	11,623,785	39,169,505	35,491,092	50,093,245	47,114,877
Machinery and equipment	997,931	933,365	999,400	1,025,757	1,997,331	1,959,122
	<u>\$23,550,896</u>	<u>\$24,454,881</u>	<u>\$45,976,566</u>	<u>\$46,291,084</u>	<u>\$69,527,462</u>	<u>\$70,745,965</u>

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

- Purchase of two police vehicles for the Smyrna Police Department and the purchase of a backhoe totaling \$196,591.

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

- North of Duck Creek utility infrastructure extensions totaling \$287,427.
- General electrical installation costs due to continued growth in Smyrna totaling \$751,096.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2017**

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

	<b>OUTSTANDING DEBT</b>	
	<b>Bonds and Loans Payable</b>	
	<u>2017</u>	<u>2016</u>
Governmental activities	\$ 7,264,834	\$ 7,530,000
Business-type activities	<u>15,367,297</u>	<u>16,491,840</u>
<b>TOTAL</b>	<u><u>\$ 22,632,131</u></u>	<u><u>\$ 24,021,840</u></u>

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

The current legal long-term debt limit for the Town cannot exceed 4.5 percent of the total assessed valuation of all taxable property in the Town. This amounts to \$41,849,000 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 2018 budget in December 2017. This budget totaled \$7,512,800 in revenues and \$9,753,055 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 seven percent and an increase in budgeted expenditures of five percent. Property tax rates for 2018 will increase to \$0.4200 cents per \$100 of assessed value, which represents a five percent increase in property tax rates from the prior year. The Electric and Water and Sewer Fund user fee rates will remain the same as in 2017.
- The majority of the Town's city limits are in Kent County, whose unemployment rate for the County was reported at 4.2 percent in December 2017. The State's unemployment rate was reported at 4.5 percent.
- The Town's total population at December 2017 is currently estimated at 11,513, 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 Town Manager, Town of Smyrna, P.O. Box 307, 27 South Market Street Plaza, Smyrna, DE 19977.

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**  
(With Summarized Comparative Data for December 31, 2016)

	Governmental	Business-type	Totals	
	Activities	Activities	2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 272,340	\$ 2,300,887	\$ 2,573,227	\$ 608,608
Investments	3,512,291	7,493	3,519,784	3,490,795
Taxes receivable	305,535	-	305,535	274,358
Accounts receivable	379,833	1,843,492	2,223,325	2,309,728
Grants receivable	47,130	-	47,130	30,000
Loan receivable	-	37,500	37,500	394,832
Inventory	28,021	584,374	612,395	669,284
Due from other governments	-	-	-	2,144,854
Prepaid expenses	51,193	20,972	72,165	86,274
<b>Restricted Assets:</b>				
Meter deposits	-	792,306	792,306	758,613
<b>Total Current Assets</b>	<u>4,596,343</u>	<u>5,587,024</u>	<u>10,183,367</u>	<u>10,767,346</u>
<b>Noncurrent Assets:</b>				
Prepaid insurance costs	12,597	17,073	29,670	31,910
Loan receivable	-	217,500	217,500	247,500
Land	1,738,359	430,952	2,169,311	2,171,826
Construction-in-progress	-	3,175,942	3,175,942	7,080,745
Capital assets, net:				
Land improvements	209,681	-	209,681	234,459
Buildings and improvements	9,681,185	2,200,767	11,881,952	12,184,936
Infrastructure	10,923,740	39,169,505	50,093,245	47,114,877
Machinery and equipment	997,931	999,400	1,997,331	1,959,122
<b>Total Noncurrent Assets</b>	<u>23,563,493</u>	<u>46,211,139</u>	<u>69,774,632</u>	<u>71,025,375</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	1,361,554	537,762	1,899,316	2,408,125
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 29,521,390</u>	<u>\$ 52,335,925</u>	<u>\$ 81,857,315</u>	<u>\$ 84,200,846</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 592,141	\$ 1,017,418	\$ 1,609,559	\$ 2,509,039
Accrued salaries and benefits	108,881	47,600	156,481	331,990
Accrued interest	32,920	68,281	101,201	104,318
Developer deposits	193,378	440,678	634,056	366,102
Other liability	-	370,171	370,171	97,398
Unearned revenue	368,210	-	368,210	803,333
Bonds payable	141,900	188,100	330,000	320,000
Loans payable	-	537,917	537,917	1,154,361
Capital lease payable	36,125	9,633	45,758	31,213
Accrued compensated absences	55,647	11,516	67,163	65,756
<b>Current Liabilities Payable from Restricted Assets:</b>				
Meter deposits	-	792,306	792,306	758,613
<b>Total Current Liabilities</b>	<u>1,529,202</u>	<u>3,483,620</u>	<u>5,012,822</u>	<u>6,542,123</u>
<b>Noncurrent Liabilities:</b>				
Portions due or payable after one year:				
Accrued compensated absences	500,818	103,640	604,458	591,802
Post-employment benefits	7,099,311	771,331	7,870,642	7,645,937
Bonds payable	2,350,500	3,214,500	5,565,000	5,895,000
Loans payable	4,772,434	11,426,780	16,199,214	16,652,479
Capital lease payable	38,184	7,591	45,775	17,224
Net pension liability	5,360,498	1,441,565	6,802,063	6,624,585
<b>Total Noncurrent Liabilities</b>	<u>20,121,745</u>	<u>16,965,407</u>	<u>37,087,152</u>	<u>37,427,027</u>
<b>TOTAL LIABILITIES</b>	<u>21,650,947</u>	<u>20,449,027</u>	<u>42,099,974</u>	<u>43,969,150</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	403,354	138,728	542,082	398,388
<b>NET POSITION</b>				
Net investment in capital assets	16,211,753	30,592,045	46,803,798	46,675,688
Restricted for police	57,043	-	57,043	66,073
Restricted for public works	247,507	-	247,507	254,131
Restricted for capital projects	-	833,060	833,060	729,995
Restricted for rural economic development	-	300,000	300,000	300,000
Unrestricted (deficit)	(9,049,214)	23,065	(9,026,149)	(8,192,579)
<b>TOTAL NET POSITION</b>	<u>7,467,089</u>	<u>31,748,170</u>	<u>39,215,259</u>	<u>39,833,308</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 29,521,390</u>	<u>\$ 52,335,925</u>	<u>\$ 81,857,315</u>	<u>\$ 84,200,846</u>

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

**TOWN OF SMYRNA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Summarized Comparative Data for the Year Ended December 31, 2016)**

	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
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ 1,173,230	\$ -	\$ -	\$ (619,950)	\$ (619,950)	\$ (692,855)
Public safety	4,294,862	283,102	-	(3,883,886)	(3,883,886)	(3,847,075)
Public works	3,406,500	301,460	143,091	(1,522,503)	(1,522,503)	(1,361,970)
Planning and inspection	869,710	-	-	(439,797)	(439,797)	(344,669)
Library	388,834	91,547	-	(163,731)	(163,731)	(170,586)
Culture and recreation	421,795	500	-	(421,295)	(421,295)	(407,472)
Interest on long-term debt	102,691	-	-	(102,691)	(102,691)	(174,999)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>10,657,622</b>	<b>676,609</b>	<b>143,091</b>	<b>(7,153,853)</b>	<b>(7,153,853)</b>	<b>(6,999,626)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Electric	12,469,844	-	262,174	-	1,476,613	1,542,644
Water/Sewer	4,053,743	54,227	463	-	7,262	(101,148)
Slum clearance and redevelopment	67,231	-	-	(26,983)	(26,983)	24,788
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>16,590,818</b>	<b>54,227</b>	<b>262,637</b>	<b>1,456,892</b>	<b>1,456,892</b>	<b>1,466,284</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 27,248,440</b>	<b>\$ 730,836</b>	<b>\$ 405,728</b>	<b>(7,153,853)</b>	<b>1,456,892</b>	<b>(5,533,342)</b>
<b>GENERAL REVENUES</b>						
Real estate taxes				3,547,537	-	3,546,413
Real estate transfer taxes				1,239,454	-	928,231
Franchise fees				199,920	-	191,544
Investment earnings				29,436	127	20,435
Gain on sale of capital assets				12,711	-	-
Miscellaneous				49,727	-	49,223
Transfers				1,050,209	(1,050,209)	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>6,128,994</b>	<b>(1,050,082)</b>	<b>4,645,846</b>
<b>CHANGE IN NET POSITION</b>				<b>(1,024,859)</b>	<b>406,810</b>	<b>(887,496)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>				<b>8,491,948</b>	<b>31,341,360</b>	<b>40,720,804</b>
<b>NET POSITION, END OF YEAR</b>				<b>\$ 7,467,089</b>	<b>\$ 31,748,170</b>	<b>\$ 39,833,308</b>

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

**TOWN OF SMYRNA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**  
(With Summarized Comparative Data for December 31, 2016)

	<b>General</b>	<b>Capital Improvement Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Totals</b>	
				<b>2017</b>	<b>2016</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 68,457	\$ 60,444	\$ 143,439	\$ 272,340	\$ 200,590
Investments	2,658,318	671,552	182,421	3,512,291	3,483,306
Taxes receivable	305,535	-	-	305,535	274,358
Accounts receivable	379,833	-	-	379,833	348,818
Grants receivable	7,800	39,330	-	47,130	394,832
Prepaid items	51,193	-	-	51,193	62,667
Inventory	28,021	-	-	28,021	25,927
<b>TOTAL ASSETS</b>	<b>3,499,157</b>	<b>771,326</b>	<b>325,860</b>	<b>4,596,343</b>	<b>4,790,498</b>
<b>LIABILITIES</b>					
Accounts payable	564,502	6,329	21,310	592,141	873,917
Accrued salaries and benefits	108,881	-	-	108,881	145,398
Unearned revenue	368,210	-	-	368,210	395,999
Developer deposits	193,378	-	-	193,378	340,509
<b>TOTAL LIABILITIES</b>	<b>1,234,971</b>	<b>6,329</b>	<b>21,310</b>	<b>1,262,610</b>	<b>1,755,823</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	235,926	-	-	235,926	186,102
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>235,926</b>	<b>-</b>	<b>-</b>	<b>235,926</b>	<b>186,102</b>
<b>FUND BALANCES</b>					
Nonspendable	79,214	-	-	79,214	88,594
Restricted for police	-	-	57,043	57,043	66,073
Restricted for public works	-	-	247,507	247,507	254,131
Committed for capital projects	1,990,952	764,997	-	2,755,949	2,493,007
Unassigned (deficit)	(41,906)	-	-	(41,906)	(53,232)
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,028,260</b>	<b>\$ 764,997</b>	<b>\$ 304,550</b>	<b>\$ 3,097,807</b>	<b>\$ 2,848,573</b>

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, 2017**

**TOTAL GOVERNMENTAL FUND BALANCES** \$ 3,097,807

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 23,550,896

Some of the Town's assets are not available to pay for current expenditures and, therefore, are not reported in the funds. 235,926

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	\$ 1,361,554	
Deferred inflows of resources - pensions	<u>(403,354)</u>	958,200

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	(2,492,400)	
Loans payable	(4,772,434)	
Capital lease payable	(74,309)	
Accrued interest	(32,920)	
Post-employment benefits	(7,099,311)	
Net pension liability	<u>(5,360,498)</u>	(19,831,872)

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. 12,597

Compensated absences that are not due and payable in the current period are not reported in the funds. (556,465)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 7,467,089

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, 2017**  
**(With Summarized Comparative Data for the Year Ended December 31, 2016)**

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Totals
	2017	2017	2016	2016
<b>REVENUES</b>				
<b>Taxes:</b>				
Property taxes	\$ 3,497,722	-	-	\$ 3,413,338
Transfer taxes	1,239,454	-	-	928,231
Special assessment/impact fees	422,657	-	-	476,427
Charges for services	1,510,819	-	-	1,473,711
Intergovernmental	461,391	143,091	234,825	839,307
Licenses, fees, and permits	355,821	-	-	815,668
Fines and forfeits	144,507	-	-	337,686
Franchise fees	199,919	-	-	123,931
Investment income	302	27,856	1,277	191,544
Rental income	99,087	-	-	20,335
Miscellaneous	211,293	-	-	65,637
<b>TOTAL REVENUES</b>	<b>8,142,972</b>	<b>170,947</b>	<b>236,102</b>	<b>8,550,021</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	927,507	-	-	1,087,840
Public safety	4,025,111	-	41,054	3,895,577
Public works	2,176,913	-	210,702	2,099,028
Planning and inspection	799,665	-	-	738,930
Library	331,875	-	-	319,931
Culture and recreation	419,075	-	-	336,324
<b>Debt service:</b>				
Principal	198,992	127,566	-	4,156,308
Interest	102,887	-	-	175,064
Capital outlays	-	103,240	-	1,568,041
<b>TOTAL EXPENDITURES</b>	<b>8,982,025</b>	<b>230,806</b>	<b>251,756</b>	<b>14,377,043</b>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<b>(839,053)</b>	<b>(59,859)</b>	<b>(15,654)</b>	<b>(6,373,175)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	113,591	-	-	4,920,385
Transfers in	727,408	355,488	-	3,235,283
Transfers out	-	(32,687)	-	(2,216,234)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>840,999</b>	<b>322,801</b>	<b>-</b>	<b>5,939,434</b>
<b>NET CHANGES IN FUND BALANCES</b>	1,946	262,942	(15,654)	(433,741)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>2,026,314</b>	<b>502,055</b>	<b>320,204</b>	<b>3,282,314</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,028,260</b>	<b>\$ 764,997</b>	<b>\$ 304,550</b>	<b>\$ 2,848,573</b>

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, 2017**

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 249,234

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,177,905) exceeded capital outlay (\$291,209). (886,696)

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. (17,289)

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. 49,824

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. 212,967

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	\$	(17,481)	
Accrued interest		1,147	
Prepaid insurance costs		(951)	
Net OPEB obligation		<u>(131,271)</u>	(148,556)

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. (484,343)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (1,024,859)

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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
<b>Taxes:</b>				
Property taxes	\$ 3,525,000	\$ 3,525,000	\$ 3,497,722	\$ (27,278)
Transfer taxes	700,000	700,000	1,239,454	539,454
Special assessment/impact fees	200,000	200,000	422,657	222,657
Charges for services	1,533,100	1,533,100	1,510,819	(22,281)
Intergovernmental	340,000	340,000	461,391	121,391
Licenses, fees, and permits	327,700	327,700	355,821	28,121
Fines and forfeits	95,000	95,000	144,507	49,507
Franchise fees	186,000	186,000	199,919	13,919
Investment income	1,000	1,000	302	(698)
Rental Income	65,000	65,000	99,087	34,087
Miscellaneous	60,000	60,000	211,293	151,293
<b>TOTAL REVENUES</b>	<u>7,032,800</u>	<u>7,032,800</u>	<u>8,142,972</u>	<u>1,110,172</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	1,196,844	1,196,844	927,507	269,337
Public safety	4,068,165	4,068,165	4,025,111	43,054
Public works	2,077,042	2,077,042	2,176,913	(99,871)
Planning and inspection	708,165	708,165	799,665	(91,500)
Library	362,028	362,028	331,875	30,153
Culture and recreation	369,784	369,784	419,075	(49,291)
<b>Debt service:</b>				
Principal	384,741	384,741	198,992	185,749
Interest	100,481	100,481	102,887	(2,406)
<b>TOTAL EXPENDITURES</b>	<u>9,267,250</u>	<u>9,267,250</u>	<u>8,982,025</u>	<u>285,225</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(2,234,450)</u>	<u>(2,234,450)</u>	<u>(839,053)</u>	<u>1,395,397</u>
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	-	-	113,591	113,591
Transfers in	2,234,450	2,234,450	727,408	(1,507,042)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,234,450</u>	<u>2,234,450</u>	<u>840,999</u>	<u>(1,393,451)</u>
<b>NET CHANGES IN FUND BALANCE</b>	-	-	1,946	1,946
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,026,314</u>	<u>2,026,314</u>	<u>2,026,314</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,026,314</u>	<u>\$ 2,026,314</u>	<u>\$ 2,028,260</u>	<u>\$ 1,946</u>

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

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**  
**(With Summarized Comparative Data for December 31, 2016)**

	Electric Fund	Water and Sewer Fund	Slum Clearance and Redevelopment Fund	Totals	
				2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 1,042,719	\$ 1,134,442	\$ 123,726	\$ 2,300,887	\$ 408,018
Investments	7,493	-	-	7,493	7,489
Due from other governments	-	-	-	-	2,144,854
Accounts receivable	1,450,432	393,060	-	1,843,492	1,960,910
Loan receivable	-	-	37,500	37,500	30,000
Inventory	531,469	52,905	-	584,374	643,357
Prepaid expenses	12,566	8,406	-	20,972	23,607
<b>Restricted Assets:</b>					
Meter deposits	783,563	8,743	-	792,306	758,613
<b>Total Current Assets</b>	<u>3,828,242</u>	<u>1,597,556</u>	<u>161,226</u>	<u>5,587,024</u>	<u>5,976,848</u>
<b>Noncurrent Assets:</b>					
Prepaid insurance costs	17,073	-	-	17,073	18,362
Loan receivable	-	-	217,500	217,500	247,500
Capital assets, net	14,149,666	31,826,900	-	45,976,566	46,291,084
<b>Total Noncurrent Assets</b>	<u>14,166,739</u>	<u>31,826,900</u>	<u>217,500</u>	<u>46,211,139</u>	<u>46,556,946</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - pensions	292,658	245,104	-	537,762	905,480
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 18,287,639</u>	<u>\$ 33,669,560</u>	<u>\$ 378,726</u>	<u>\$ 52,335,925</u>	<u>\$ 53,439,274</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 912,207	\$ 105,211	\$ -	\$ 1,017,418	\$ 1,635,122
Accrued salaries and benefits	26,586	21,014	-	47,600	186,592
Unearned revenue	-	-	-	-	407,334
Accrued interest	43,638	24,643	-	68,281	70,251
Developer deposits	440,678	-	-	440,678	25,593
Other liability	370,171	-	-	370,171	97,398
Accrued compensated absences	7,279	4,237	-	11,516	11,858
Capital lease payable	9,633	-	-	9,633	9,103
Current portion of bonds payable	188,100	-	-	188,100	182,400
Current portion of loans payable	-	537,917	-	537,917	1,154,361
<b>Current Liabilities Payable from Restricted Assets:</b>					
Meter deposits	783,563	8,743	-	792,306	758,613
<b>Total Current Liabilities</b>	<u>2,781,855</u>	<u>701,765</u>	<u>-</u>	<u>3,483,620</u>	<u>4,538,625</u>
<b>Noncurrent Liabilities:</b>					
Accrued compensated absences	65,509	38,131	-	103,640	106,716
Post-employment benefits	490,847	280,484	-	771,331	677,897
Capital lease payable	7,591	-	-	7,591	17,224
Bonds payable	3,214,500	-	-	3,214,500	3,402,600
Loans payable	-	11,426,780	-	11,426,780	11,752,479
Net pension liability	749,055	692,510	-	1,441,565	1,576,820
<b>Total Noncurrent Liabilities</b>	<u>4,527,502</u>	<u>12,437,905</u>	<u>-</u>	<u>16,965,407</u>	<u>17,533,736</u>
<b>TOTAL LIABILITIES</b>	<u>7,309,357</u>	<u>13,139,670</u>	<u>-</u>	<u>20,449,027</u>	<u>22,072,361</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - pensions	70,832	67,896	-	138,728	25,553
<b>NET POSITION</b>					
Net investment in capital assets	10,729,842	19,862,203	-	30,592,045	29,772,917
Restricted for capital projects	-	833,060	-	833,060	729,995
Restricted for rural economic development	-	-	300,000	300,000	300,000
Unrestricted (deficit)	177,608	(233,269)	78,726	23,065	538,448
<b>TOTAL NET POSITION</b>	<u>10,907,450</u>	<u>20,461,994</u>	<u>378,726</u>	<u>31,748,170</u>	<u>31,341,360</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 18,287,639</u>	<u>\$ 33,669,560</u>	<u>\$ 378,726</u>	<u>\$ 52,335,925</u>	<u>\$ 53,439,274</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, 2017**  
**(With Summarized Comparative Data for the Year Ended December 31, 2016)**

	Electric Fund	Water and Sewer Fund	Slum Clearance and Redevelopment Fund	Totals	
				2017	2016
<b>OPERATING REVENUES</b>					
User service charges	\$ 13,590,979	\$ 3,939,450	\$ -	\$ 17,530,429	\$ 18,070,153
Other operating revenue	93,304	66,865	40,248	200,417	234,856
<b>Total Operating Revenues</b>	<u>13,684,283</u>	<u>4,006,315</u>	<u>40,248</u>	<u>17,730,846</u>	<u>18,305,009</u>
<b>OPERATING EXPENSES</b>					
Electric purchased	8,931,211	-	-	8,931,211	9,411,714
Sewer charges	-	991,884	-	991,884	982,947
System maintenance	301,704	325,512	-	627,216	527,075
Salaries and wages	893,776	676,990	-	1,570,766	1,798,570
Employee benefits	613,708	457,291	-	1,070,999	1,052,607
Depreciation and amortization	818,408	753,199	-	1,571,607	1,445,989
Supplies and maintenance	130,220	192,825	-	323,045	310,027
Truck and vehicles	25,256	28,812	-	54,068	35,729
Insurance	50,669	36,120	-	86,789	86,724
Administration expenses	127,029	65,378	40	192,447	262,837
Professional services	387,688	290,507	-	678,195	615,884
Slum clearance program	-	-	67,191	67,191	10,193
<b>Total Operating Expenses</b>	<u>12,279,669</u>	<u>3,818,518</u>	<u>67,231</u>	<u>16,165,418</u>	<u>16,540,296</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,404,614</u>	<u>187,797</u>	<u>(26,983)</u>	<u>1,565,428</u>	<u>1,764,713</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	75	52	-	127	100
Interest expense	(131,675)	(235,225)	-	(366,900)	(364,403)
Intergovernmental revenue (expense)	(58,500)	54,227	-	(4,273)	(50,000)
<b>Total Nonoperating Expenses</b>	<u>(190,100)</u>	<u>(180,946)</u>	<u>-</u>	<u>(371,046)</u>	<u>(414,303)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>1,214,514</u>	<u>6,851</u>	<u>(26,983)</u>	<u>1,194,382</u>	<u>1,350,410</u>
Transfers in	-	32,687	-	32,687	2,175,734
Transfers out	(1,082,896)	-	-	(1,082,896)	(3,194,783)
Capital grants	-	463	-	463	-
Developer capital contributions	262,174	-	-	262,174	115,974
<b>CHANGE IN NET POSITION</b>	<u>393,792</u>	<u>40,001</u>	<u>(26,983)</u>	<u>406,810</u>	<u>447,335</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>10,513,658</u>	<u>20,421,993</u>	<u>405,709</u>	<u>31,341,360</u>	<u>30,894,025</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 10,907,450</u>	<u>\$ 20,461,994</u>	<u>\$ 378,726</u>	<u>\$ 31,748,170</u>	<u>\$ 31,341,360</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, 2017**  
**(With Summarized Comparative Data for the Year Ended December 31, 2016)**

	Electric Fund	Water and Sewer Fund	Slum Clearance and Redevelopment Fund	Totals	
				2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Received from customers	\$ 14,526,708	\$ 4,002,859	\$ 62,748	\$ 18,592,315	\$ 18,015,001
Paid to suppliers for goods and services	(9,902,437)	(2,192,826)	(67,231)	(12,162,494)	(11,584,987)
Paid to employees for services	(1,508,759)	(1,181,982)	-	(2,690,741)	(2,241,665)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>3,115,512</u>	<u>628,051</u>	<u>(4,483)</u>	<u>3,739,080</u>	<u>4,188,349</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in	-	32,687	-	32,687	2,175,734
Transfers out	(1,082,896)	-	-	(1,082,896)	(3,194,783)
Intergovernmental revenues (expenses)	(58,500)	54,227	-	(4,273)	(50,000)
<b>NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(1,141,396)</u>	<u>86,914</u>	<u>-</u>	<u>(1,054,482)</u>	<u>(1,069,049)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Repayment of bonds, loans, and capital leases payable	(299,566)	(1,063,889)	-	(1,363,455)	(1,680,149)
Loan proceeds	-	399,023	-	399,023	2,501,059
Developer capital contributions	262,174	-	-	262,174	115,974
Acquisition and construction of capital assets	(808,874)	(446,927)	-	(1,255,801)	(4,284,816)
Proceeds from sale of capital assets	-	-	-	-	-
Capital grants	-	1,568,768	-	1,568,768	-
Interest paid	(133,195)	(235,673)	-	(368,868)	(360,626)
<b>NET CASH USED (PROVIDED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(979,461)</u>	<u>221,302</u>	<u>-</u>	<u>(758,159)</u>	<u>(3,708,558)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of investments	(4)	-	-	(4)	-
Investment income	75	52	-	127	98
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>71</u>	<u>52</u>	<u>-</u>	<u>123</u>	<u>98</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	994,726	936,319	(4,483)	1,926,562	(589,160)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>831,556</u>	<u>206,866</u>	<u>128,209</u>	<u>1,166,631</u>	<u>1,755,791</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,826,282</u>	<u>\$ 1,143,185</u>	<u>\$ 123,726</u>	<u>\$ 3,093,193</u>	<u>\$ 1,166,631</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 1,404,614	\$ 187,797	\$ (26,983)	\$ 1,565,428	\$ 1,764,713
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	818,408	753,199	-	1,571,607	1,445,989
(Increase) Decrease in:					
Accounts receivable	121,274	(3,856)	-	117,418	(196,339)
Loan receivable	-	-	22,500	22,500	22,500
Inventory	3,616	55,367	-	58,983	8,478
Prepaid expenses	1,997	638	-	2,635	50
Deferred outflows - pension	180,123	187,595	-	367,718	(596,078)
Increase (Decrease) in:					
Accounts payable	(127,568)	(490,136)	-	(617,704)	649,616
Other liability	272,773	-	-	272,773	(114,604)
Accrued salaries and benefits	(69,144)	(69,848)	-	(138,992)	154,387
Developer deposits	448,378	400	-	448,778	(1,565)
Post-employment benefit obligations	59,458	33,976	-	93,434	88,878
Compensated absences	8,411	(11,829)	-	(3,418)	17,591
Net pension liability	(63,105)	(72,150)	-	(135,255)	951,256
Deferred inflows - pension	56,277	56,898	-	113,175	(6,523)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 3,115,512</u>	<u>\$ 628,051</u>	<u>\$ (4,483)</u>	<u>\$ 3,739,080</u>	<u>\$ 4,188,349</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital lease acquisition	\$ -	\$ -	\$ -	\$ -	\$ 28,930
Net loan receipts from current and prior year loan receivables	-	-	-	-	1,059,404
Loan forgiveness	-	169,214	-	169,214	43,067
	<u>\$ -</u>	<u>\$ 169,214</u>	<u>\$ -</u>	<u>\$ 169,214</u>	<u>\$ 1,131,401</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:</b>					
Cash and cash equivalents	\$ 1,042,719	\$ 1,134,442	\$ 123,726	\$ 2,300,887	\$ 408,018
Meter deposits - restricted	783,563	8,743	-	792,306	758,613
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,826,282</u>	<u>\$ 1,143,185</u>	<u>\$ 123,726</u>	<u>\$ 3,093,193</u>	<u>\$ 1,166,631</u>

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

**TOWN OF SMYRNA**  
**STATEMENTS OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2017 AND 2016**

	<b>Totals</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,279,547	\$ 660,606
Accounts receivable	-	999,844
Contribution receivable	72,658	-
Interest receivable	25,489	4,879
Prepaid expense	46,699	43,737
Investments at fair value:		
Equities	3,109,835	1,027,799
Mutual funds	67,197	1,687,384
Fixed income	3,642,926	3,622,900
Exchange-traded funds	118,271	100,068
Insurance contracts	3,629,094	3,517,671
<b>TOTAL ASSETS</b>	<b>\$ 11,991,716</b>	<b>\$ 11,664,888</b>
 <b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 32,844	\$ 18,926
 <b>NET POSITION</b>		
Net position restricted for pensions	11,958,872	11,645,962
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 11,991,716</b>	<b>\$ 11,664,888</b>

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, 2017 AND 2016**

	Totals	
	2017	2016
<b>ADDITIONS</b>		
<b>Contributions:</b>		
Employer contribution	\$ 139,510	\$ 136,425
Employee contributions	72,658	52,423
State aid - police	-	49,032
Returned member plan assets	53,844	999,844
<b>Total Contributions</b>	<u>266,012</u>	<u>1,237,724</u>
<b>Investment income:</b>		
Interest and dividends	355,769	339,419
Net appreciation in fair value of investments	514,097	162,791
<b>Total Investment Income</b>	<u>869,866</u>	<u>502,210</u>
Less investment expense	125,842	125,562
<b>Net Investment Income</b>	<u>744,024</u>	<u>376,648</u>
<b>TOTAL ADDITIONS</b>	<u>1,010,036</u>	<u>1,614,372</u>
<b>DEDUCTIONS</b>		
Benefits paid	692,672	686,126
Transfer to State retirement plan	-	176,534
Administrative expenses	4,454	4,322
<b>TOTAL DEDUCTIONS</b>	<u>697,126</u>	<u>866,982</u>
<b>NET INCREASE IN NET POSITION</b>	312,910	747,390
<b>NET POSITION RESTRICTED FOR PENSIONS:</b>		
Beginning of year	<u>11,645,962</u>	<u>10,898,572</u>
End of year	<u>\$ 11,958,872</u>	<u>\$ 11,645,962</u>

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.

The *GASB Codification of Governmental Accounting and Financial Reporting Standards* established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the Town's financial reporting entity are financial interdependencies, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships. Based on the application of these criteria, the Town is considered to be an independent reporting entity.

The Town has determined that no other outside agency meets the above criteria and; therefore, no other agency has been included as a component unit in the Town's financial statements. In addition, the Town is not aware of any entity which would exercise such oversight which would result in the Town being considered a component unit of the entity.

##### Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the last are excluded from the entity-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. In addition, the fund financial statements present fiduciary funds by fund type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on their use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital projects funds. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

The 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.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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.

**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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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 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.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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. Deferred inflows related to pension include: (a) differences between actual and projected investment returns related to pensions, (b) differences between actual and expected experience related to pensions, (c) changes in the Town's proportionate share of the net pension liability for the multi-employer cost-sharing pension plans in which it participates, (d) pension contributions made subsequent to the measurement date of its net pension liability, and (e) 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 service lives of the plans' participants. Unavailable revenue arises only under a modified accrual basis of accounting and 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, and (2) differences between actual and expected experience. 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. Donated capital assets, donated works of art, historical treasures and similar assets, and capital assets that are received in a service concession arrangement will be measured at acquisition value.

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

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

Non-bargaining Units

Regular, full-time employees begin to accrue vacation and sick leave when they are hired; however, they are not eligible to use vacation and sick leave until they have completed their first six months of employment. Sick leave is accrued at the rate of 12 days per completed year prorated at the rate of one day for each completed month of service. Employees may accumulate an unlimited number of sick leave days. One-half of the full amount accumulated up to 20 days maximum is paid if the employee is terminated in good

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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 is 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 Balance

Fund balances of the governmental funds are classified, as applicable, as follows:

*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.

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 2017 was 40 cents per \$100 of assessed value.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Certain assets are classified as restricted at the entity-wide level because they are maintained in separate bank accounts, and their use is limited.

Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on a basis consistent with generally accepted accounting principles.
- b. The Town Council adopts legal annual budgets for the General Fund and Proprietary Funds. The Town Council also adopts legal project length budgets for its Capital Improvement Fund and certain nonmajor governmental funds. Since project periods may differ from the Town's fiscal year, a comparison of budgetary information for the Capital Improvement Fund and certain nonmajor governmental funds would not be meaningful and has not been presented in the accompanying financial statements.
- c. The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- d. Unused appropriations for all of the above annually budgeted funds lapse at year end.
- e. For 2017, there were no amendments to the legally adopted budgets.

Implementation of New Accounting Pronouncements

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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. The implementation of this standard had no impact on the Town's financial statements.

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. 80, "Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14," was issued in January 2016 and was implemented by the Town. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The implementation of this standard had no impact on the Town's financial statements.

GASB Statement No. 81, "Irrevocable Split-Interest Agreements," was issued in March 2016 and was implemented by the Town. The objective of this statement is to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this standard had no impact on the Town's financial statements.

GASB Statement No. 82, "Pension Issues – an Amendment of GASB Statements No. 67, 68, and 73," was issued in March 2016 and was implemented by the Town. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, "Financial Reporting for Pension Plans," No. 68, "Accounting and Financial Reporting for Pensions," and 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 Statements 67 and 68." The implementation of this standard had no impact on the Town's 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Town's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2017, the General Fund incurred expenditures in excess of appropriations in the following functions:

<u>Function</u>	<u>Expenditures Over Budget</u>
Public works	\$ 99,871
Planning and inspection	\$ 91,500
Culture and recreation	\$ 49,291
Interest	\$ 2,406

The excess of expenditures was funded by transfers in from the proprietary funds and other current-year expenditure appropriations that were under budget.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. This pool is displayed on the balance sheet and the statement of net position as either cash or investments. Deposits and investments of governmental, proprietary, and fiduciary funds are reported at fair value.

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Town has not adopted a formal policy limiting the amount of the Town's deposits subject to custodial credit risk. At December 31, 2017, the carrying amount of the Town's deposits was \$3,365,533, and the bank balance was \$3,849,543. 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, 2017, \$269,787 was covered by federal depository insurance, and \$3,579,756 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, 2017, the Town had the following investments:

	<u>Fair Value</u>	<u>Level 1</u>
U.S. Treasury notes	\$ 1,046,881	\$ 1,046,881
Equity mutual funds	140,843	140,843
Money market mutual funds	<u>2,332,060</u>	<u>2,332,060</u>
	<u>\$ 3,519,784</u>	<u>\$ 3,519,784</u>

U.S. Treasury bills are securities of agencies of the U.S. Government that have an implied but not explicit guarantee. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

The Town has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments under the Town's investment policy are limited to a maximum maturity at time of purchase of four years.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

At December 31, 2017, the Town's investments in U.S. Treasury bills and notes had maturity dates that did not exceed two years.

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 "Three 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, 2017 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	\$ 1,740,874	\$ 14,774	\$ 17,289	\$ 1,738,359
Total Capital Assets Not Being Depreciated	<u>1,740,874</u>	<u>14,774</u>	<u>17,289</u>	<u>1,738,359</u>
Capital assets being depreciated:				
Buildings and improvements	11,892,618	-	-	11,892,618
Infrastructure	21,240,224	-	-	21,240,224
Land improvements	792,958	-	-	792,958
Machinery and equipment	4,527,872	276,435	-	4,804,307
Total Capital Assets Being Depreciated	<u>38,453,672</u>	<u>276,435</u>	<u>-</u>	<u>38,730,107</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	1,970,220	241,213	-	2,211,433
Infrastructure	9,616,439	700,045	-	10,316,484
Land improvements	558,499	24,778	-	583,277
Machinery and equipment	3,594,507	211,869	-	3,806,376
Total Accumulated Depreciation	<u>15,739,665</u>	<u>1,177,905</u>	<u>-</u>	<u>16,917,570</u>
Total Capital Assets Being Depreciated, Net	<u>22,714,007</u>	<u>(901,470)</u>	<u>-</u>	<u>21,812,537</u>
Governmental Activities Assets, Net	<u>\$24,454,881</u>	<u>\$ (886,696)</u>	<u>\$ 17,289</u>	<u>\$23,550,896</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 430,952	\$ -	\$ -	\$ 430,952
Construction-in-progress	7,080,745	124,745	4,029,548	3,175,942
Total Capital Assets Not Being Depreciated	<u>7,511,697</u>	<u>124,745</u>	<u>4,029,548</u>	<u>3,606,894</u>
Capital assets being depreciated:				
Buildings and improvements	3,265,334	-	-	3,265,334
Infrastructure	47,806,415	5,054,115	-	52,860,530
Machinery and equipment	2,412,650	106,489	-	2,519,139
Total Capital Assets Being Depreciated	<u>53,484,399</u>	<u>5,160,604</u>	<u>-</u>	<u>58,645,003</u>
Less accumulated depreciation for:				
Buildings and improvements	1,002,796	61,771	-	1,064,567
Infrastructure	12,315,323	1,375,702	-	13,691,025
Machinery and equipment	1,386,893	132,846	-	1,519,739
Total Accumulated Depreciation	<u>14,705,012</u>	<u>1,570,319</u>	<u>-</u>	<u>16,275,331</u>
Total Capital Assets Being Depreciated, Net	<u>38,779,387</u>	<u>3,590,285</u>	<u>-</u>	<u>42,369,672</u>
Business-type Activities Assets, Net	<u>\$46,291,084</u>	<u>\$ 3,715,030</u>	<u>\$4,029,548</u>	<u>\$45,976,566</u>

Depreciation expense was charged to the functions as follows:

<b>Governmental Activities:</b>		
General government		\$ 82,259
Public safety		212,618
Public works		823,087
Planning and inspection		17,773
Library		16,689
Culture and recreation		25,479
Total Depreciation Expense - Governmental Activities		<u>\$ 1,177,905</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

Business-type Activities:	
Electric	\$ 817,120
Water	<u>753,199</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,570,319</u>

NOTE 5 LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
Bonds payable	\$ 2,630,000	\$ -	\$ 137,600	\$ 2,492,400	\$ 141,900
Loans payable	4,900,000	-	127,566	4,772,434	-
Capital lease payable	22,110	113,591	61,392	74,309	36,125
Compensated absences	538,984	209,982	192,501	556,465	55,647
Post-employment benefits	6,968,040	131,271	-	7,099,311	-
Net pension liability	<u>5,047,765</u>	<u>312,733</u>	<u>-</u>	<u>5,360,498</u>	<u>-</u>
TOTAL	<u>\$20,106,899</u>	<u>\$ 767,577</u>	<u>\$ 519,059</u>	<u>\$20,355,417</u>	<u>\$ 233,672</u>
<i>Business-type Activities</i>					
Bonds payable	\$ 3,585,000	\$ -	\$ 182,400	\$ 3,402,600	\$ 188,100
Loans payable	12,906,840	399,023	1,341,166	11,964,697	537,917
Capital lease payable	26,327	-	9,103	17,224	9,633
Compensated absences	118,574	70,870	74,288	115,156	11,516
Post-employment benefits	677,897	93,434	-	771,331	-
Net pension liability	<u>1,576,820</u>	<u>-</u>	<u>135,255</u>	<u>1,441,565</u>	<u>-</u>
TOTAL	<u>\$18,891,458</u>	<u>\$ 563,327</u>	<u>\$ 1,742,212</u>	<u>\$17,712,573</u>	<u>\$ 747,166</u>

For the governmental activities, bonds, loans, and capital lease payable; compensated absences; and post-employment benefit obligations are generally liquidated by the General Fund for the governmental share. The Water and Sewer Fund and Electric Fund, which make up 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.

\$ 2,492,400

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 \$4,772,434 to finance the renovations to the Police Department building. The loan matures in December 2056 and bears an interest rate of 2.38%.

4,772,434

Total Governmental Activities

\$ 7,264,834

***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.

\$ 653,110

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.

941,108

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.

3,402,600

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.

2,626,252

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.

1,404,843

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. 132,884

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 October 31, 2018. At year end, the interest rate was 2.1%. 7,848

The Town obtained financing from the USDA in the amount of \$1,837,914 to finance North of Duck Creek Extension Phase I. The loan bears an interest rate of 2.125%. 1,837,913

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. 1,134,432

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. 253,272

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. 144,667

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. 482,148

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%. 512,088

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

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. 876,037

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. 958,095

Total Business-type Activities \$ 15,367,297

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>
2018	\$ 867,917	\$ 392,471	\$ 1,260,388
2019	882,536	369,947	1,252,483
2020	905,314	346,169	1,251,483
2021	933,411	321,225	1,254,636
2022	956,836	294,610	1,251,446
2023-2027	4,769,717	1,040,586	5,810,303
2028-2032	13,226,515	292,647	13,519,162
2033-2035	<u>89,885</u>	<u>1,845</u>	<u>91,730</u>
Total	<u>\$ 22,632,131</u>	<u>\$ 3,059,500</u>	<u>\$ 25,691,631</u>

Compensated Absences

At December 31, 2017, accrued compensated absences for governmental activities totaled \$556,465. This total is comprised of accrued vacation leave of \$214,618, accrued sick leave of \$324,125, and compensatory time of \$17,722. In addition, at December 31, 2017, accrued compensated absences in the business-type activities and proprietary funds totaled \$115,156. This total is comprised of accrued vacation leave of \$66,748 and accrued sick leave of \$48,408.

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.

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5    LONG-TERM LIABILITIES (cont'd)

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	\$ 216,988
Less: accumulated depreciation	<u>(20,572)</u>
	<u>\$ 196,416</u>

The governmental activities minimum lease payment amounted to \$61,392 in 2017. In the business-type activities, the minimum lease payments amounted to \$9,103 in 2017. The future lease payments under the capital lease at December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 50,772
2019	48,169
Less amount representing interest	<u>(7,408)</u>
Present value of future minimum lease payments	<u>\$ 91,533</u>

Operating Leases

The Town is leasing public works vehicles under operating leases. The total cost for such leases was \$68,827 in 2017. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 68,847
2019	68,847
2020	<u>68,847</u>
Future minimum lease payments	<u>\$ 206,541</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, 2017 was as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ -	\$ 727,408
Capital Improvement Fund	32,687	355,488
Water and Sewer Fund	-	32,687
Electric Fund	<u>1,082,896</u>	<u>-</u>
TOTAL	<u>\$ 1,115,583</u>	<u>\$ 1,115,583</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>	
2018	\$ 37,500
2019	30,000
2020	30,000
2021	30,000
2022	30,000
Thereafter	<u>97,500</u>
Future minimum lease payments	<u>\$ 255,000</u>

NOTE 8 RENTAL INCOME

The Town currently has five significant lease agreements. 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 additional five years. Monthly payments on this lease

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 RENTAL INCOME (cont'd)

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 2017 totaled \$26,171.

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 2017 totaled \$27,395.

The third lease arrangement is with DG Amp Solar, LLC for the purpose of placing a solar photovoltaic electronic generating facility on Town property. The lease was entered into effective October 13, 2017 and terminates on October 12, 2031. The lease calls for annual payments to be made in the amount of \$7,760 beginning in 2017 and will increase at various times during the lease term for a total amount up to \$21,700. Lease revenue recognized for this lease in 2017 totaled \$7,760.

The fourth lease arrangement is with Gerry Gray, P.A for the purpose of leasing office space on Town property. The lease was entered into effective August 1, 2016 and terminates on July 31, 2019. The lease calls for annual payments to be made in the amount of \$7,625 beginning in 2017 and will increase at various times during the lease term. Lease revenue recognized for this lease in 2017 totaled \$12,400.

The fifth lease arrangement is with the Wagners for the purpose of leasing space on Town property. The lease was entered into effective October 21, 2016 and terminates on June 20, 2018. The lease calls for annual payments to be made in the amount of \$24,000 beginning in 2016. Lease revenue recognized for this lease in 2017 totaled \$23,500.

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

<u>Year Ending December 31,</u>	
2018	\$ 90,564
2019	84,808
2020	20,311
2021	7,750
2022	9,300
Thereafter	<u>420,825</u>
Future minimum lease payments	<u>\$ 633,578</u>

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 FUND BALANCE

As of December 31, 2017, 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	\$ 51,193	\$ -	\$ -	\$ 51,193
Inventory	28,021	-	-	28,021
Restricted:				
Police	-	-	57,043	57,043
Public works	-	-	247,507	247,507
Committed:				
Capital projects	1,990,952	764,997	-	2,755,949
Unassigned (deficit)	<u>(41,906)</u>	<u>-</u>	<u>-</u>	<u>(41,906)</u>
Total Fund Balances	<u>\$ 2,028,260</u>	<u>\$ 764,997</u>	<u>\$ 304,550</u>	<u>\$ 3,097,807</u>

During 2013, the Town established a Budget Reserve Account as passed by Town Ordinance. The Budget Reserve Account will be \$3,000,000 or 10 percent of the General Fund operating budget (excluding extraordinary or onetime items), whichever is greater. As of December 31, 2017, 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, 2017 is as follows:

Governmental Activities:	
Total capital assets, net	\$ 23,550,896
Less: loans, bonds, and capital leases payable	<u>(7,339,143)</u>
Total Net Investment in Capital Assets	<u>\$ 16,211,753</u>
Business-type Activities:	
Total capital assets, net	\$ 45,976,566
Less: loans, bonds, and capital leases payable	<u>(15,384,521)</u>
Total Net Investment in Capital Assets	<u>\$ 30,592,045</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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 Codification of Governmental Accounting and Financial Reporting Standards, as follows:

**STATEMENT OF NET POSITION - PENSION TRUST FUNDS**  
**December 31, 2017**

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,118,756	\$ 160,791	\$ 1,279,547
Interest receivable	-	25,489	25,489
Contribution receivable	22,704	49,954	72,658
Prepaid expense	19,813	26,886	46,699
Investments at fair value:			
Equities	-	3,109,835	3,109,835
Mutual funds	67,197	-	67,197
Fixed income	-	3,642,926	3,642,926
Exchange traded funds	118,271	-	118,271
Insurance contracts	<u>1,984,549</u>	<u>1,644,545</u>	<u>3,629,094</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,331,290</u></b>	<b><u>\$ 8,660,426</u></b>	<b><u>\$ 11,991,716</u></b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>	<b>\$ 16,495</b>	<b>\$ 16,349</b>	<b>\$ 32,844</b>
<b>NET POSITION:</b>			
Net position restricted for pensions	<u>3,314,795</u>	<u>8,644,077</u>	<u>11,958,872</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 3,331,290</u></b>	<b><u>\$ 8,660,426</u></b>	<b><u>\$ 11,991,716</u></b>

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, 2017**

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
<b>ADDITIONS</b>			
Contributions:			
Employer contribution	\$ -	\$ 139,510	\$ 139,510
Employee contribution	22,704	49,954	72,658
Returned member plan assets	53,844	-	53,844
Total Contributions	<u>76,548</u>	<u>189,464</u>	<u>266,012</u>
Investment Income:			
Interest and dividends	81,565	274,204	355,769
Net appreciation of fair value investments	21,123	492,974	514,097
Total Investment Income	102,688	767,178	869,866
Less investment expense	(29,125)	(96,717)	(125,842)
Net Investment Income	<u>73,563</u>	<u>670,461</u>	<u>744,024</u>
<b>TOTAL ADDITIONS</b>	<u>150,111</u>	<u>859,925</u>	<u>1,010,036</u>
<b>DEDUCTIONS</b>			
Benefits paid	340,874	351,798	692,672
Transfer of assets to State retirement plan	-	-	-
Administrative expenses	1,944	2,510	4,454
<b>TOTAL DEDUCTIONS</b>	<u>342,818</u>	<u>354,308</u>	<u>697,126</u>
<b>NET INCREASE IN NET POSITION</b>	(192,707)	505,617	312,910
<b>NET POSITION RESTRICTED FOR PENSIONS</b>			
Beginning of year	<u>3,507,502</u>	<u>8,138,460</u>	<u>11,645,962</u>
End of year	<u>\$ 3,314,795</u>	<u>\$ 8,644,077</u>	<u>\$ 11,958,872</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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

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 2017, the Town began participating in the State of Delaware Public Employees Retirement System County and Municipal Police and Firefighters' Pension Plan ("DPERS"). At the end of 2016, 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 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. In 2017, the police officer contributions totaled \$22,704. There were no employer contributions to the plan in 2017.

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, 2017, 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

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.

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, 2017, the carrying amount of the Plan's deposits was \$1,118,756, and the bank balance was \$1,118,756. Of this amount, \$1,104,295 was insured or registered and the securities held by the Town or its agent in the Town's name, and \$14,461 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.

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

As of December 31, 2017, the Plan had the following investments:

	Fair Value	Level 1
<u>Investments Held at Fair Value:</u>		
Mutual funds	\$ 67,197	\$ 67,197
Exchange traded funds	118,271	118,271
	\$ 185,468	\$ 185,468
<u>Investments Measured at Amortized Cost:</u>		
Fixed income insurance contracts	1,984,549	
	\$ 2,170,017	

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.

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, 2017 in accordance with the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. 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 the *GASB Codification of Governmental Accounting and Financial Reporting Standards*.

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, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

Category Allocation	Target Allocation	Long-term Expected Rate of Return
Cash	0.50%	0.18%
Fixed income	16.88%	17.47%
Mutual funds	23.05%	23.69%
Aetna insurance contracts	59.57%	3.88%
	100.00%	

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.

Net Pension Liability

The Plan's net pension liability was determined using a measurement date of December 31, 2017. The total pension liability was determined by an actuarial valuation as of January 1, 2017, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date. The net pension liability of \$3,862,205 is measured as the difference between the total pension liability of \$7,177,000 and the fiduciary net position of \$3,314,795.

The components of the net pension liability of the Plan at December 31, 2017 is as follows:

Total pension liability	\$ 7,177,000
Fiduciary net position	(3,314,795)
Net pension liability	\$ 3,862,205
Plan fiduciary net position as a percentage of the total pension liability	46.19%

The Town's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2017 were as follows:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2016	\$ 7,022,000	\$ 3,507,502	\$ 3,514,498
Changes for the year:			
Service cost	104,549	-	104,549
Interest	313,110	-	313,110
Transfer from DPERS	-	53,844	(53,844)
Transfer to DPERS	-	-	-
Effect of economic or demo- graphic gains or losses	78,215	-	78,215
Effect of assumption changes	-	-	-
Benefit payments	(340,874)	(340,874)	-
Employer contributions	-	-	-
Member contributions	-	22,704	(22,704)
Net investment income	-	73,563	(73,563)
Administrative expenses	-	(1,944)	1,944
Net Changes	<u>155,000</u>	<u>(192,707)</u>	<u>347,707</u>
Balance at December 31, 2017	<u>\$ 7,177,000</u>	<u>\$ 3,314,795</u>	<u>\$ 3,862,205</u>

As of December 31, 2017, the net pension liability of \$3,862,205 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:

	<u>1% Decrease 3.50%</u>	<u>Current Discount Rate 4.50%</u>	<u>1% Increase 5.50%</u>
Net pension liability	\$ 4,953,205	\$ 3,862,205	\$ 2,984,205

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

Money-weighted Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on the Plan investments, net of investment expense was 2.17 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, 2017, the Plan recognized pension expense of \$221,079. At December 31, 2017, 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	\$ -	\$ 44,536
Change of assumptions	120,249	-
Difference between actual and projected investment returns	-	302,099
Total Deferred Outflows and Inflows	<u>\$ 120,249</u>	<u>\$ 346,635</u>

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

Year Ending December 31,

2018	\$ 44,486
2019	140,601
2020	25,385
2021	<u>15,914</u>
	<u>\$ 226,386</u>

The following actuarial methods and assumptions were used in the January 1, 2017 actuarial valuation.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2017
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	9 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, 2017 Actuarial Valuation presented by Milliman, Inc., signed by Glenn D. Bowen, FSA and Timothy J. Nugent, FSA, dated January 17, 2018.

***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, 2017.

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

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, 2017, the Town's membership in this plan is comprised of 18 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.

*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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

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 13.77 percent for the period January to June 2017, and 11.42 percent for the period June to December 2017. The Town's contributions of \$161,375 for 2017 were equal to the required contribution for the year. Total eligible full-time wages covered by the DPERS Police Plan for the year totaled \$1,275,598.

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, 2017, the Town reported a liability of \$177,377 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. 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 (\$5,911,005) and its proportionate share of the DPERS Police Plan's fiduciary net position (\$5,733,628). As of December 31, 2017, the Town's proportionate share of the net pension liability of \$177,377 is 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, 2017, the Town's proportion of the collective net pension liability was 1.7595 percent.

For the year ended December 31, 2017, the DPERS Police Plan recognized pension expense of \$36,752. At December 31, 2017, 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	\$ 108,944	\$ 42,446
Difference between actual and expected investment returns	-	90,408
Changes of assumptions	65,359	149,753
Changes in proportions	-	47,966
Contributions made subsequent to the measurement date	-	69,371
	<u>\$ 173,531</u>	<u>\$ 399,944</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

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, 2018.

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

<u>Year Ending December 31,</u>	
2018	\$ 48,438
2019	48,438
2020	52,770
2021	(31,963)
2022	6,819
Thereafter	<u>32,540</u>
	<u>\$ 157,042</u>

The following actuarial methods and assumptions were used in the June 30, 2016 actuarial valuation.

Actuarial Methods and Significant Assumptions

Investment rate of return	7.00%
Discount rate	7.00%
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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

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:

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	33.5%	5.7%
International equity	13.7%	5.7%
Fixed income	26.6%	2.0%
Alternative investments	22.7%	7.8%
Cash and equivalents	3.5%	0.0%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Town's total pension liability is 7.00 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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POLICE PENSION PLANS (cont'd)

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 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability (asset)	\$ 1,121,681	\$ 177,377	\$ (591,491)

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](http://www.delawarepensions.com).

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 \$24,061 in 2017. The Town is required to contribute an actuarially determined rate.

The Town has had in effect since January 1, 1966, the Pension Plan for Full-time City Employees of the Town of Smyrna, to which it made contributions for the purpose of providing benefits for its eligible employees and their beneficiaries, in the manner and to the extent set forth in such plan, which was fully restated in 1975. The financial records are maintained on a plan year which begins each January 1 and ends on December 31.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

The Plan is administered by the Committee ("Plan Administration"), which is comprised of the Mayor and Town Council. The Committee is fully responsible for the Plan's administration, including eligibility for participation and determination of benefits. The Town Council has delegated the authority to manage certain plan assets to 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, 2017, the date of the most recent actuarial report, Plan membership consisted of the following:

Active employees	37
Terminated vested participants	23
Retirees and beneficiaries currently receiving benefits	<u>22</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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

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.

***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, 2017, the carrying amount of the Plan's deposits was \$160,791, and the bank balance was \$160,791. Of this amount, \$9,038 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$151,753 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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

As of December 31, 2017, the Plan had the following investments:

	Fair Value	Level 1	Level 2
<u>Investments Held at Fair Value:</u>			
Equities	\$ 3,109,835	\$ 3,109,835	\$ -
Fixed income	3,642,926	-	3,642,926
	6,752,761	\$ 3,109,835	\$ 3,642,926
<u>Investments Measured at Amortized Cost:</u>			
Fixed income insurance contracts	1,644,545		
	\$ 8,397,306		

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, 2017, the Plan's fixed income investments had the following risk characteristics:

Investment Type	Portfolio Rating	Rating Source	Investment Value
Asset backed securities	AA+, Aaa, NR	S&P, Moody	\$ 1,215,483
Corporate bonds	AA+ to B3	S&P, Moody	1,811,668
Municipal bonds	AA-, A1, A3, Aa2, Aa3, BBB+	S&P, Moody	186,903
U.S. Treasury/Agency Securities	NR, AAA, Aaa	S&P, Moody	428,872
Total Fixed Income Securities			\$ 3,642,926

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, 2017 in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards. The funding may be impacted by differences in actual experience and the actuarial

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

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 the GASB Codification of Governmental Accounting and Financial Reporting Standards.

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, 2017 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	1.63%	0.18%
Fixed Income	35.81%	5.84%
Mutual Funds	43.57%	54.40%
Aetna Insurance Contract	18.99%	4.08%
	<u>100.00%</u>	

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, 2017. The total pension liability was determined by an actuarial valuation as of January 1, 2017, 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 \$2,595,923 and is measured as the difference between the total pension liability of \$11,240,000 and the fiduciary net position of \$8,644,077.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

The components of the net pension liability of the Plan at December 31, 2017 are as follows:

Total pension liability	\$ 11,240,000
Fiduciary net position	<u>(8,644,077)</u>
Net pension liability	<u>\$ 2,595,923</u>
Plan fiduciary net position as a percentage of the total pension liability	76.90%

The Plan's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2017 were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2016	<u>\$ 10,966,000</u>	<u>\$ 8,138,460</u>	<u>\$ 2,827,540</u>
Changes for the year:			
Service cost	294,515	-	294,515
Interest	582,060	-	582,060
Effect of economic or demo- graphic gains or losses	(250,777)	-	(250,777)
Effect of assumption changes	-	-	-
Benefit payments	(351,798)	(351,798)	-
Employer contributions	-	139,510	(139,510)
Member contributions	-	49,954	(49,954)
Net investment income	-	670,461	(670,461)
Administrative expenses	-	(2,510)	2,510
Net Changes	<u>274,000</u>	<u>505,617</u>	<u>(231,617)</u>
Balance at December 31, 2017	<u>\$ 11,240,000</u>	<u>\$ 8,644,077</u>	<u>\$ 2,595,923</u>

As of December 31, 2017, \$1,184,874 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 \$1,411,049 of the net pension liability is recorded as a liability in the Water and Sewer Fund for \$692,510 and in the Electric Fund for \$718,539 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

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	\$ 4,239,923	\$ 2,595,923	\$ 1,234,923

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, 2017, the annual money-weighted rate of return on the Plan investments, net of investment expense was 8.37 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, 2017, the Plan recognized pension expense of \$692,769. At December 31, 2017, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows	Deferred Outflows
Differences between actual and expected experience	\$ 196,260	\$ 166,640
Change of assumptions	40,816	650,123
Difference between actual and projected investment returns	-	154,467
Total Deferred Outflows and Inflows	<u>\$ 237,076</u>	<u>\$ 971,230</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' 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>	
2018	\$ 286,635
2019	286,636
2020	156,595
2021	4,288
2022	-
	<u>\$ 734,154</u>

The following actuarial methods and assumptions were used in the January 1, 2017 funding valuation.

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2017
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	9 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, 2017 Actuarial Valuation presented by Milliman, Inc., signed by Glenn D. Bowen, FSA and Timothy J. Nugent, FSA, dated January 17, 2018.

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

***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, 2017, \$922,197 in payroll earnings were reported to and covered by the plan.

The Town's contribution percentages were 6.76 percent for the period January 1, 2017 through June 30, 2017, and 7.09 percent for the period July 1, 2017 through December 31, 2017. The Town's contributions to the plan for the year ended December 31, 2017 totaled \$65,561 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, 2017, 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 – 1/60<sup>th</sup> 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

Employer contributions – employer contributions are determined by the Board of Pension Trustees. Employer contributions were 6.8 percent and 6.5 percent of earnings for fiscal years 2017 and 2016, 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, 2017, the Town reported a liability of \$166,558 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. 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 (\$1,345,786) and its proportionate share of the DPERS Employee Plan's fiduciary net position (\$1,179,228). At June 30, 2017, the Town's proportion of the collective net pension liability was 2.5706 percent.

As of December 31, 2017, \$136,042 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 \$30,516 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, 2017, the DPERS Employee Plan recognized pension expense of \$18,891. At December 31, 2017, 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	\$ 11,226	\$ 45,242
Difference between actual and expected investment returns	-	18,947
Changes of assumptions	-	53,196
Changes in proportions	-	30,825
Contributions made subsequent to the measurement date	-	33,297
	<u>\$ 11,226</u>	<u>\$ 181,507</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

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, 2018.

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

<u>Year Ending December 31,</u>	
2018	\$ 24,530
2019	24,530
2020	25,217
2021	8,002
2022	15,832
Thereafter	<u>38,873</u>
	<u>\$ 136,984</u>

The following actuarial methods and assumptions were used in the June 30, 2016 actuarial valuation.

Actuarial Methods and Significant Assumptions

Investment rate of return	7.00%
Discount rate	7.00%
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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

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:

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	33.5%	5.7%
International equity	13.7%	5.7%
Fixed income	26.6%	2.0%
Alternative investments	22.7%	7.8%
Cash and equivalents	3.5%	0.0%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Town's total pension liability is 7.00 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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

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 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	\$ 374,768	\$ 166,558	\$ (4,678)

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](http://www.delawarepensions.com).

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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 2017, the Town contributed \$85,570 to the plan for current premiums, or approximately 94 percent of total premiums. Plan members receiving benefits contributed \$5,803, or approximately six percent of total premiums, through their required monthly contributions.

Post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2017 totaled \$91,373.

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.

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NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 379,568	\$ 337,048	\$ 1,177,633
Interest on OPEB obligation	136,333	144,185	120,230
Adjustment to annual required contribution	<u>(679,653)</u>	<u>(638,686)</u>	<u>(480,683)</u>
Annual OPEB cost (expense)	(163,752)	(157,453)	817,180
Contributions made	<u>(87,200)</u>	<u>(84,200)</u>	<u>(80,100)</u>
(Decrease) Increase in net OPEB obligation	(250,952)	(241,653)	737,080
Net OPEB obligation, beginning of year	<u>4,194,821</u>	<u>4,436,474</u>	<u>3,699,394</u>
Net OPEB obligation, end of year	<u>\$ 3,943,869</u>	<u>\$ 4,194,821</u>	<u>\$ 4,436,474</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 2017 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>
2017	\$ (163,752)	-53%	\$ 3,943,869
2016	\$ (157,453)	-53%	\$ 4,194,821
2015	\$ 817,180	10%	\$ 4,436,474

Funded Status and Funding Progress

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

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Actuarial Methods and Assumptions

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

In the January 1, 2015 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 3.25 percent per annum, discount rate compounded annually; a 2.5 percent per annum inflation rate; and an annual healthcare cost trend rate of 6.60 percent in 2015, reduced by decrements to an ultimate rate of 4.50 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, 2017 was six 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.

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Council. For fiscal year 2017, the Town contributed \$31,093 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, 2017 totaled \$31,093.

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>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 952,553	\$ 812,913	\$ 703,347
Interest on OPEB obligation	112,161	97,456	83,485
Adjustment to annual required contribution	<u>(559,157)</u>	<u>(431,692)</u>	<u>(333,776)</u>
Annual OPEB cost (expense)	505,557	478,677	453,056
Contributions made	<u>(29,900)</u>	<u>(26,200)</u>	<u>(23,200)</u>
Increase in net OPEB obligation	475,657	452,477	429,856
Net OPEB obligation, beginning of year	<u>3,451,116</u>	<u>2,998,639</u>	<u>2,568,783</u>
Net OPEB obligation, end of year	<u>\$ 3,926,773</u>	<u>\$ 3,451,116</u>	<u>\$ 2,998,639</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 2017 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>
2017	\$ 505,557	6%	\$ 3,926,773
2016	\$ 478,677	5%	\$ 3,451,116
2015	\$ 453,056	5%	\$ 2,998,639

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$3,475,600, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$3,475,600. The covered payroll (annual payroll of active employees covered by the plan) was \$2,765,000, and the ratio of the UAAL to the covered payroll was 125.7 percent.

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

Actuarial Methods and Assumptions

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

In the January 1, 2015 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 3.25 percent per annum discount rate compounded annually; a 2.50 percent per annum inflation rate; and an annual healthcare cost trend rate of 6.60 percent in 2015, reduced by decrements to an ultimate rate of 4.50 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, 2017 was six years.

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 COMMITMENTS AND CONTINGENCIES (cont'd)

As of December 31, 2018, the Town has incurred costs of \$3,175,942 for capital improvement projects that are not under formal commitments.

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, 2017, only an amount totaling \$563,031 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$368,210 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 UNRESTRICTED DEFICIT NET POSITION

The water and sewer fund reported an unrestricted deficit net position of \$233,269. It is anticipated that this deficit will be eliminated through managing expenses in future periods.

NOTE 22 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through June 25, 2018, 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**

	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 104,549	-	\$ 331,406	\$ 327,657
Interest on total pension liability	313,110	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	78,215	1,056	(498,285)	44,041
Effect of assumption changes or inputs	-	(387,469)	1,372,943	-
Benefit payments	(340,874)	(340,874)	(338,363)	(359,975)
Net change in total pension liability	<u>155,000</u>	<u>722,000</u>	<u>(3,616,000)</u>	<u>580,701</u>
Total pension liability, beginning	7,022,000	6,300,000	9,916,000	9,335,299
Total pension liability, ending (a)	<u>\$ 7,177,000</u>	<u>\$ 7,022,000</u>	<u>\$ 6,300,000</u>	<u>\$ 9,916,000</u>
<b>FIDUCIARY NET POSITION</b>				
Employer contributions	\$ -	\$ 49,032	\$ 480,531	\$ 743,174
Member contributions	22,704	-	102,816	94,055
Investment income (loss) net of investment expenses	73,563	56,627	(80,992)	163,108
Transfer from DPERS	53,844	999,844	-	-
Transfer to DPERS	-	(176,534)	(4,522,594)	-
Benefit payments	(340,874)	(340,874)	(338,363)	(359,975)
Administrative expenses	(1,944)	(1,866)	(1,728)	(5,035)
Net change in fiduciary net position	<u>(192,707)</u>	<u>586,229</u>	<u>(4,360,330)</u>	<u>635,327</u>
Fiduciary net position, beginning	3,507,502	2,921,273	7,281,603	6,646,276
Fiduciary net position, ending (b)	<u>\$ 3,314,795</u>	<u>\$ 3,507,502</u>	<u>\$ 2,921,273</u>	<u>\$ 7,281,603</u>
Net pension liability [(a) - (b)]	<u>\$ 3,862,205</u>	<u>\$ 3,514,498</u>	<u>\$ 3,378,727</u>	<u>\$ 2,634,397</u>
Plan fiduciary net position as a percentage of the total pension liability	46.19%	49.95%	46.37%	73.43%
Covered payroll	\$ 320,586	\$ 315,474	N/A	\$ 1,381,065
Net pension liability as a percentage of covered payroll	1204.73%	1114.04%	N/A	190.75%
Annual money-weighted return, net of investment expenses	2.17%	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.

In 2016, 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**

	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 294,515	\$ 275,113	\$ 291,036	\$ 307,110
Interest on total pension liability	582,060	564,540	530,764	500,216
Effect of economic/demographic (gain) or loss	(250,777)	135,050	163,217	(34,663)
Effect of assumption changes or inputs	-	1,032,549	(81,634)	-
Benefit payments	(351,798)	(345,252)	(304,383)	(194,963)
Net change in total pension liability	<u>274,000</u>	<u>1,662,000</u>	<u>599,000</u>	<u>577,700</u>
Total pension liability, beginning	10,966,000	9,304,000	8,705,000	8,127,300
Total pension liability, ending (a)	<u>\$ 11,240,000</u>	<u>\$ 10,966,000</u>	<u>\$ 9,304,000</u>	<u>\$ 8,705,000</u>
<b>FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 139,510	\$ 136,425	\$ 305,054	\$ 282,736
Member contributions	49,954	52,423	56,961	60,579
Investment income (loss) net of investment expenses	670,461	320,021	(163,460)	83,666
Benefit payments	(351,798)	(345,252)	(304,383)	(194,963)
Administrative expenses	(2,510)	(2,456)	(1,949)	(4,159)
Net change in fiduciary net position	<u>505,617</u>	<u>161,161</u>	<u>(107,777)</u>	<u>227,859</u>
Fiduciary net position, beginning	8,138,460	7,977,299	8,085,076	7,857,217
Fiduciary net position, ending (b)	<u>\$ 8,644,077</u>	<u>\$ 8,138,460</u>	<u>\$ 7,977,299</u>	<u>\$ 8,085,076</u>
Net pension liability [(a) - (b)]	<u>\$ 2,595,923</u>	<u>\$ 2,827,540</u>	<u>\$ 1,326,701</u>	<u>\$ 619,924</u>
Plan fiduciary net position as a percentage of the total pension liability	76.90%	74.22%	85.74%	92.88%
Covered payroll	\$ 2,058,343	\$ 2,293,689	\$ 2,367,385	\$ 2,446,089
Net pension liability as a percentage of covered payroll	126.12%	123.27%	56.04%	25.34%
Annual money-weighted return, net of investment expenses	8.37%	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.

In 2016, 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, 2017</u>	<u>June 30, 2016</u>
Town's proportionate share of the net pension liability	1.7595%	0.9953%
Town's proportion of the net pension liability - dollar value	\$ 177,377	\$ 158,206
Town's covered employee payroll	\$ 1,445,647	\$ 725,116
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	12.27%	21.82%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	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**

<b><u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u></b>	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>
Town's proportionate share of the net pension liability	2.5706%	2.0069%
Town's proportion of the net pension liability - dollar value	\$ 166,558	\$ 124,341
Town's covered employee payroll	\$ 928,386	\$ 537,427
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	17.94%	23.14%
Plan fiduciary net position as a percentage of the total pension liability	87.62%	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**

<b>Fiscal Year Ended December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
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%
2017	567,678	-	567,678	320,586	0.00%

**Notes to Schedule**

Valuation date January 1, 2017  
 Actuarial cost method Entry Age Normal (GASB Statement No. 67 version)  
 Amortization method Level Dollar Amortization  
 Remaining amortization period 9 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**

<b>Fiscal Year Ended December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
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%
2017	514,622	139,510	375,112	2,058,343	6.78%

**Notes to Schedule**

Valuation date January 1, 2017  
 Actuarial cost method Entry Age Normal (GASB Statement No. 67 version)  
 Amortization method Level Dollar Amortization  
 Remaining amortization period 9 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>12/31/17</u>	<u>12/31/16</u>
Contractually required contribution	\$ 161,375	\$ 207,487
Contributions in relation to the contractually required contribution	<u>161,375</u>	<u>207,487</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 1,275,598	\$ 1,700,501
Contributions as a percentage of covered-employee payroll	12.65%	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**

	<u>12/31/17</u>	<u>12/31/16</u>
Contractually required contribution	\$ 65,561	\$ 56,582
Contributions in relation to the contractually required contribution	<u>65,561</u>	<u>56,582</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 922,197	\$ 866,280
Contributions as a percentage of covered-employee payroll	7.11%	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	12/31/2017	\$ 505,557	5.91%	\$ 3,926,773
Police	12/31/2017	(163,753)	-53.25%	3,943,868
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, 2017**

	<u>Municipal Street Aid Fund</u>	<u>S.A.L.L.E. Fund</u>	<u>E.I.D.E. Fund</u>	<u>Resource Officer Fund</u>	<u>Forfeiture Fund</u>	<u>Totals</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 86,396	\$ 5,307	\$ 1,804	\$ 26,677	\$ 23,255	\$ 143,439
Investments	182,421	-	-	-	-	182,421
<b>TOTAL ASSETS</b>	<u>\$ 268,817</u>	<u>\$ 5,307</u>	<u>\$ 1,804</u>	<u>\$ 26,677</u>	<u>\$ 23,255</u>	<u>\$ 325,860</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 21,310	\$ -	\$ -	\$ -	\$ -	\$ 21,310
<b>FUND BALANCES</b>						
<b>Restricted for:</b>						
Police expenditures	-	5,307	1,804	26,677	23,255	57,043
Public works expenditures	247,507	-	-	-	-	247,507
<b>TOTAL FUND BALANCES</b>	<u>247,507</u>	<u>5,307</u>	<u>1,804</u>	<u>26,677</u>	<u>23,255</u>	<u>304,550</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 268,817</u>	<u>\$ 5,307</u>	<u>\$ 1,804</u>	<u>\$ 26,677</u>	<u>\$ 23,255</u>	<u>\$ 325,860</u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
<b>REVENUES</b>						
Intergovernmental	\$ 202,801	\$ -	\$ -	\$ 23,758	\$ 8,266	\$ 234,825
Investment income	1,277	-	-	-	-	1,277
<b>TOTAL REVENUES</b>	<u>204,078</u>	<u>-</u>	<u>-</u>	<u>23,758</u>	<u>8,266</u>	<u>236,102</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Public safety - police	-	8,004	8,085	24,944	21	41,054
Public works	210,702	-	-	-	-	210,702
<b>TOTAL EXPENDITURES</b>	<u>210,702</u>	<u>8,004</u>	<u>8,085</u>	<u>24,944</u>	<u>21</u>	<u>251,756</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,624)</u>	<u>(8,004)</u>	<u>(8,085)</u>	<u>(1,186)</u>	<u>8,245</u>	<u>(15,654)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>(6,624)</u>	<u>(8,004)</u>	<u>(8,085)</u>	<u>(1,186)</u>	<u>8,245</u>	<u>(15,654)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>254,131</u>	<u>13,311</u>	<u>9,889</u>	<u>27,863</u>	<u>15,010</u>	<u>320,204</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 247,507</u>	<u>\$ 5,307</u>	<u>\$ 1,804</u>	<u>\$ 26,677</u>	<u>\$ 23,255</u>	<u>\$ 304,550</u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2017**  
**(With Summarized Comparative Data for December 31, 2016)**

	<b>Police Pension Trust Fund</b>	<b>Employee Pension Trust Fund</b>	<b>Totals</b>	
			<b>2017</b>	<b>2016</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,118,756	\$ 160,791	\$ 1,279,547	\$ 660,606
Accounts receivable	-	-	-	999,844
Contribution receivable	22,704	49,954	72,658	-
Interest receivable	-	25,489	25,489	4,879
Prepaid expense	19,813	26,886	46,699	43,737
Investments at fair value:				
Equities	-	3,109,835	3,109,835	1,027,799
Mutual funds	67,197	-	67,197	1,687,384
Fixed income	-	3,642,926	3,642,926	3,622,900
Exchange-traded funds	118,271	-	118,271	100,068
Insurance contracts	1,984,549	1,644,545	3,629,094	3,517,671
<b>TOTAL ASSETS</b>	<b><u>\$ 3,331,290</u></b>	<b><u>\$ 8,660,426</u></b>	<b><u>\$11,991,716</u></b>	<b><u>\$11,664,888</u></b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 16,495	\$ 16,349	\$ 32,844	\$ 18,926
<b>NET POSITION</b>				
Net position restricted for pensions	<u>3,314,795</u>	<u>8,644,077</u>	<u>11,958,872</u>	<u>11,645,962</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 3,331,290</u></b>	<b><u>\$ 8,660,426</u></b>	<b><u>\$11,991,716</u></b>	<b><u>\$11,664,888</u></b>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Summarized Comparative Data for the Year Ended December 31, 2016)**

	Police	Employee	Totals	
	Pension Trust Fund	Pension Trust Fund	2017	2016
<b>ADDITIONS</b>				
<b>Contributions:</b>				
Employer contributions	\$ -	\$ 139,510	\$ 139,510	\$ 136,425
Employee contributions	22,704	49,954	72,658	52,423
State aid - police	-	-	-	49,032
Returned member plan assets	53,844	-	53,844	999,844
<b>Total Contributions</b>	<u>76,548</u>	<u>189,464</u>	<u>266,012</u>	<u>1,237,724</u>
<b>Investment Income:</b>				
Interest and dividends	81,565	274,204	355,769	339,419
Net appreciation in fair value of investments	21,123	492,974	514,097	162,791
<b>Total Investment Income</b>	<u>102,688</u>	<u>767,178</u>	<u>869,866</u>	<u>502,210</u>
Less investment expense	29,125	96,717	125,842	125,562
<b>Net Investment Income</b>	<u>73,563</u>	<u>670,461</u>	<u>744,024</u>	<u>376,648</u>
<b>TOTAL ADDITIONS</b>	<u>150,111</u>	<u>859,925</u>	<u>1,010,036</u>	<u>1,614,372</u>
<b>DEDUCTIONS</b>				
Benefits paid	340,874	351,798	692,672	686,126
Transfer of assets to State retirement plan	-	-	-	176,534
Administrative expenses	1,944	2,510	4,454	4,322
<b>TOTAL DEDUCTIONS</b>	<u>342,818</u>	<u>354,308</u>	<u>697,126</u>	<u>866,982</u>
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	(192,707)	505,617	312,910	747,390
<b>NET POSITION RESTRICTED FOR PENSIONS</b>				
Beginning of year	<u>3,507,502</u>	<u>8,138,460</u>	<u>11,645,962</u>	<u>10,898,572</u>
End of year	<u>\$ 3,314,795</u>	<u>\$ 8,644,077</u>	<u>\$11,958,872</u>	<u>\$11,645,962</u>



## STATISTICAL SECTION

This part of the Town of Smyrna's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

### Contents

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

#### **Revenue Capacity**

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

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**TOWN OF SMYRNA**

**NET POSITION**

*Last ten fiscal years ending December 31,*

*(Unaudited)*

*Accrual basis of accounting*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 16,211,753	\$ 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
Restricted for police	57,043	66,073	85,488	68,967	79,954	83,336	93,791	66,301	59,755	59,436
Restricted for public works	247,507	254,131	62,150	92,668	135,830	297,609	524,523	416,287	262,774	148,140
Unrestricted (deficit)	(9,049,214)	(8,731,027)	(7,506,315)	(5,598,175)	(824,096)	352,459	773,079	1,887,933	3,415,301	5,113,893
<b>Total governmental activities net position</b>	<b>\$ 7,467,089</b>	<b>\$ 8,491,948</b>	<b>\$ 9,826,779</b>	<b>\$ 11,074,600</b>	<b>\$ 16,714,415</b>	<b>\$ 18,534,013</b>	<b>\$ 17,802,220</b>	<b>\$ 19,149,560</b>	<b>\$ 21,043,434</b>	<b>\$ 21,894,410</b>
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 30,592,045	\$ 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
Restricted for capital projects	833,060	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	300,000	-	-	-	-	-	-	-
Unrestricted	23,065	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
<b>Total business-type activities net position</b>	<b>\$ 31,748,170</b>	<b>\$ 31,341,360</b>	<b>\$ 30,894,025</b>	<b>\$ 28,868,934</b>	<b>\$ 29,129,912</b>	<b>\$ 27,049,436</b>	<b>\$ 26,753,291</b>	<b>\$ 25,739,999</b>	<b>\$ 24,750,226</b>	<b>\$ 22,273,428</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 46,803,798	\$ 46,675,688	\$ 45,955,504	\$ 43,791,409	\$ 44,664,215	\$ 43,382,530	\$ 39,611,004	\$ 40,100,117	\$ 39,479,294	\$ 36,562,212
Restricted for police	57,043	66,073	85,488	68,967	79,954	83,336	93,791	66,301	59,755	59,436
Restricted for public works	247,507	254,131	62,150	92,668	135,830	297,609	524,523	416,287	262,774	148,140
Restricted for capital projects	833,060	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	300,000	-	-	-	-	-	-	-
Unrestricted (deficit)	(9,026,149)	(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
<b>Total primary government</b>	<b>\$ 39,215,259</b>	<b>\$ 39,833,308</b>	<b>\$ 40,720,804</b>	<b>\$ 39,943,534</b>	<b>\$ 45,844,327</b>	<b>\$ 45,583,449</b>	<b>\$ 44,555,511</b>	<b>\$ 44,889,559</b>	<b>\$ 45,793,660</b>	<b>\$ 44,167,838</b>

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

Source: Town financial reports

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses</b>										
Governmental activities										
General government	\$ 1,173,230	\$ 1,280,321	\$ 1,443,523	\$ 894,143	\$ 916,169	\$ 819,583	\$ 979,679	\$ 639,478	\$ 991,556	\$ 541,804
Public safety	4,294,862	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
Public works	3,406,900	3,149,760	2,979,424	3,184,907	3,164,500	3,377,238	2,824,054	2,529,000	2,996,631	2,686,125
Planning and inspection	869,710	749,516	633,705	643,618	615,649	766,349	702,608	702,608	674,914	797,144
Library	388,834	376,293	341,392	381,152	341,844	339,695	292,287	245,271	290,558	272,447
Culture and recreation	421,795	407,472	355,338	387,046	312,689	276,295	206,521	325,927	308,638	356,473
Business park	-	-	-	-	-	-	10,360	11,155	11,370	13,325
Neighbourhood housing rehabilitation	-	-	-	427	335	568	-	-	1,592	-
Interest on long-term debt	102,691	174,999	136,471	116,385	114,366	114,348	215,866	143,016	147,638	96,271
Total governmental activities	<u>10,657,622</u>	<u>10,396,770</u>	<u>11,024,929</u>	<u>10,665,883</u>	<u>10,356,950</u>	<u>10,011,209</u>	<u>9,421,626</u>	<u>8,770,069</u>	<u>8,723,743</u>	<u>8,111,209</u>
Business-type activities										
Electric	12,469,844	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
Water/Sewer	4,053,743	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
Smyrna slum clearance and redevelopment authority	67,231	10,375	12,669	-	-	-	-	-	-	-
Total business-type activities	<u>16,590,818</u>	<u>16,954,699</u>	<u>16,004,709</u>	<u>15,350,686</u>	<u>14,868,191</u>	<u>15,013,778</u>	<u>15,547,787</u>	<u>15,613,773</u>	<u>14,193,691</u>	<u>14,172,872</u>
Total primary government expenses	<u>\$ 27,248,440</u>	<u>\$ 27,351,469</u>	<u>\$ 27,029,638</u>	<u>\$ 26,016,569</u>	<u>\$ 25,225,141</u>	<u>\$ 25,024,987</u>	<u>\$ 24,969,413</u>	<u>\$ 24,383,842</u>	<u>\$ 22,917,434</u>	<u>\$ 22,284,081</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 553,280	\$ 574,466	\$ 183,294	\$ 323,364	\$ 273,283	\$ 242,335	\$ 213,500	\$ 312,924	\$ 495,144	\$ 670,436
Public safety	127,874	129,685	131,790	131,470	158,739	151,064	118,042	95,411	98,743	140,480
Public works	1,439,446	1,397,513	1,354,741	1,323,104	1,260,599	1,163,186	1,138,606	1,065,489	943,340	890,563
Planning and inspection	429,913	404,847	320,600	479,485	369,639	474,028	323,075	389,704	507,841	584,419
Library	133,556	109,407	87,261	136,257	102,163	96,451	81,233	95,837	64,292	51,747
Operating grants and contributions	676,609	642,231	690,509	593,361	480,870	587,195	734,687	542,594	400,186	519,984
Capital grants and contributions	143,091	138,995	1,158,725	-	472,216	2,159,991	732,075	107,875	1,145,990	852,537
Total governmental activities	<u>3,503,769</u>	<u>3,397,144</u>	<u>3,926,920</u>	<u>2,987,041</u>	<u>3,115,509</u>	<u>4,874,242</u>	<u>3,341,218</u>	<u>2,609,834</u>	<u>3,655,536</u>	<u>3,690,166</u>
Business-type activities										
Charges for services										
Electric	13,684,283	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
Water/Sewer	4,006,315	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
Smyrna slum clearance and redevelopment authority	40,248	35,163	38,601	-	-	-	-	-	-	-
Operating grants and contributions	54,227	-	300,000	-	-	11,932	21,365	-	-	-
Capital grants and contributions	262,637	115,974	1,309,807	208,102	3,122,453	2,784,485	1,618,655	600,108	1,657,139	1,404,042
Total business-type activities	<u>18,047,710</u>	<u>18,420,983</u>	<u>19,372,055</u>	<u>17,058,683</u>	<u>19,138,010</u>	<u>19,567,918</u>	<u>18,985,040</u>	<u>17,885,188</u>	<u>17,927,287</u>	<u>17,655,586</u>
Total primary government program revenues	<u>\$ 21,551,479</u>	<u>\$ 21,818,127</u>	<u>\$ 23,298,975</u>	<u>\$ 20,045,724</u>	<u>\$ 22,253,519</u>	<u>\$ 24,442,160</u>	<u>\$ 22,326,258</u>	<u>\$ 20,495,022</u>	<u>\$ 21,582,823</u>	<u>\$ 21,345,752</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (7,153,853)	\$ (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)
Business-type activities	1,456,892	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
Total primary government net expense	<u>\$ (5,696,961)</u>	<u>\$ (5,533,342)</u>	<u>\$ (3,730,663)</u>	<u>\$ (5,970,845)</u>	<u>\$ (2,971,622)</u>	<u>\$ (582,827)</u>	<u>\$ (2,643,155)</u>	<u>\$ (3,888,820)</u>	<u>\$ (1,334,611)</u>	<u>\$ (938,329)</u>

Fluctuations in net position are due to many factors within the Town that are explained in the IMD & 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*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Real estate taxes	\$ 3,547,537	\$ 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
Real estate transfer taxes	1,239,454	928,231	844,960	619,310	417,320	512,265	361,336	561,542	669,914	1,051,590
Franchise fees	199,920	191,544	187,919	181,844	169,336	193,997	146,203	143,993	132,249	125,903
Investment earnings	29,436	20,335	4,054	13,341	24,717	14,490	5,827	11,037	56,471	196,127
Net gain (loss) on sale of capital assets	12,711	-	-	-	-	-	-	-	-	602,138
Miscellaneous income	49,727	49,223	23,349	46,346	16,699	174,438	117,937	193,559	167,996	75,126
Transfers	1,050,209	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
Total governmental activities	6,128,994	5,664,795	5,850,188	5,649,310	5,421,843	5,868,760	4,733,088	4,266,361	4,217,231	6,120,529
Business-type activities										
Investment earnings	127	100	107	154	546	148	140	121	479	2,396
Net gain on sale of capital assets	-	-	-	233,575	-	-	-	-	-	-
Transfers	(1,050,209)	(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)
Total business-type activities	(1,050,082)	(1,018,949)	(1,342,255)	(1,614,419)	(2,189,343)	(2,625,660)	(2,086,581)	(1,281,642)	(1,256,799)	(2,225,757)
Total primary government	\$ 5,078,912	\$ 4,645,846	\$ 4,507,933	\$ 4,034,891	\$ 3,232,500	\$ 3,243,100	\$ 2,646,487	\$ 2,984,719	\$ 2,960,433	\$ 3,894,772
<b>Change in Net Position</b>										
Governmental activities	\$ (1,024,859)	\$ (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
Business-type activities	406,810	447,335	2,025,091	93,578	2,080,476	1,928,480	1,350,672	989,773	2,476,798	1,256,957
Total primary government	\$ (618,049)	\$ (887,496)	\$ 777,270	\$ (1,935,954)	\$ 260,878	\$ 2,660,273	\$ 3,332	\$ (904,101)	\$ 1,625,822	\$ 2,956,443

Fluctuations in net position are due to many factors within the Town that are explained in the MD & A.  
Source: Town financial reports

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Fund</b>										
Nonspendable	\$ 79,214	\$ 88,594	\$ 86,086	\$ 91,477	\$ 85,899	\$ 83,944	\$ 82,451	\$ 203,748	\$ -	\$ -
Committed	1,990,952	1,990,952	2,341,229	2,341,229	-	-	-	-	-	-
Unassigned (deficit)	(41,906)	(53,232)	(310,317)	85,949	268,432	506,330	727,425	463,775	444,959	322,647
<b>Total general fund</b>	<u>\$ 2,028,260</u>	<u>\$ 2,026,314</u>	<u>\$ 2,116,998</u>	<u>\$ 2,518,655</u>	<u>\$ 354,331</u>	<u>\$ 590,274</u>	<u>\$ 809,876</u>	<u>\$ 667,523</u>	<u>\$ 444,959</u>	<u>\$ 322,647</u>
<b>All other governmental funds</b>										
Committed	\$ 764,997	\$ 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
Restricted	304,550	320,204	147,638	161,635	215,784	380,945	618,314	482,588	322,529	207,576
<b>Total all other governmental funds</b>	<u>\$ 1,069,547</u>	<u>\$ 822,259</u>	<u>\$ 1,165,316</u>	<u>\$ 1,105,211</u>	<u>\$ 3,473,259</u>	<u>\$ 3,308,193</u>	<u>\$ 2,796,267</u>	<u>\$ 3,084,818</u>	<u>\$ 4,213,596</u>	<u>\$ 7,550,809</u>
<b>Total governmental fund balances</b>	<u>\$ 3,097,807</u>	<u>\$ 2,848,573</u>	<u>\$ 3,282,314</u>	<u>\$ 3,623,866</u>	<u>\$ 3,827,590</u>	<u>\$ 3,898,467</u>	<u>\$ 3,606,143</u>	<u>\$ 3,752,341</u>	<u>\$ 4,658,555</u>	<u>\$ 7,873,456</u>

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*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Property taxes	\$ 3,497,722	\$ 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
Transfer taxes	1,239,454	928,231	844,960	619,310	417,320	512,265	361,336	561,542	669,914	1,051,590
Special assessment/impact fees	422,657	476,427	138,463	294,875	244,709	207,348	182,977	286,527	470,676	624,061
Charges for services	1,510,819	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
Intergovernmental	839,307	815,668	728,779	679,029	1,022,750	873,207	819,827	716,691	1,547,005	840,427
Licenses, fees, and permits	355,821	337,686	334,700	378,076	392,599	336,364	269,741	377,760	421,777	564,434
Fines and forfeits	144,507	123,931	44,542	142,462	123,365	214,892	130,298	87,287	62,553	85,312
Franchise fees	199,919	191,544	187,919	181,844	169,336	193,997	146,203	143,993	132,249	125,903
Investment income	29,435	20,335	4,054	13,341	24,717	14,490	5,827	11,037	56,471	196,127
Rental income	99,087	65,637	6,600	-	-	-	-	-	-	-
Miscellaneous	211,293	157,360	104,687	153,783	100,844	276,449	185,096	243,616	183,538	84,212
Total revenues	8,550,021	8,003,868	7,329,343	6,870,436	6,328,232	6,207,931	5,309,458	5,648,082	6,514,730	6,261,530
<b>Expenditures</b>										
General government	927,507	1,087,840	1,228,783	632,914	706,987	616,650	747,625	545,586	609,219	717,819
Public safety	4,066,165	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
Public works	2,387,615	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
Planning and inspection	799,665	738,930	577,503	572,085	555,314	633,328	730,730	695,978	631,693	790,029
Library	331,875	319,931	309,270	341,625	295,043	305,978	264,527	234,277	261,747	256,168
Culture and recreation	419,075	336,324	300,727	352,336	304,463	240,646	176,990	313,789	276,030	351,120
Business park	-	-	-	-	-	-	10,360	11,155	11,370	13,325
Neighborhood housing rehabilitation	-	-	-	427	335	568	-	-	1,592	-
Debt service:										
Principal	198,992	4,156,308	154,587	129,000	126,850	122,550	18,640	111,549	106,904	58,921
Interest	102,887	175,064	136,394	116,294	114,261	114,214	88,146	143,232	147,877	89,851
Bond issuance costs	-	-	-	-	-	-	66,515	-	-	-
Capital outlay	230,806	1,568,041	2,683,063	955,183	474,378	416,257	80,925	303,907	4,047,151	1,929,437
Total expenditures	9,464,587	14,377,043	11,759,649	9,426,886	8,998,617	8,541,415	7,710,398	7,836,059	11,009,307	9,576,109
Excess of revenues over (under) expenditures	(914,566)	(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)
<b>Other financing sources (uses)</b>										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	624,367
Issuance of debt	113,591	-	66,405	-	-	-	-	-	-	-
Loan issuance	-	4,920,385	2,679,987	890,009	409,619	-	-	-	-	3,356,000
Refunding bonds issued	-	-	-	-	-	-	3,275,000	-	-	-
Bond discount	-	-	-	-	-	-	(46,983)	-	-	-
Prepayment of note	-	-	-	-	-	-	(3,059,986)	-	-	-
Refund of prior year expenditures	-	-	-	-	-	-	-	-	22,399	46,375
Transfers in	1,082,896	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
Transfers out	(32,687)	(2,216,234)	(920,991)	(2,497,829)	(771,530)	(416,514)	(412,256)	(1,132,976)	(1,120,900)	(1,347,405)
Total other financing sources (uses)	1,163,800	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
Net Change in fund balances	\$ 249,234	\$ (433,741)	\$ (341,552)	\$ 181,707	\$ (70,877)	\$ 292,324	\$ (146,198)	\$ (906,214)	\$ (3,214,901)	\$ 2,940,316
Debt service as a percentage of noncapital expenditures	3%	34%	4%	3%	3%	3%	1%	3%	4%	2%

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>
2017	3,497,722	1,239,454	4,737,176
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

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	Total Assessed Value	Less: Tax Exempt Property	Real Property	Total Direct Tax Rate	Estimated Actual Value
			Total Taxable Assessed Value		
2017	1,060,266,878	130,288,075	929,978,803	0.40000	*
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	*

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

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

Fiscal Year	Town of Smyrna	Overlapping Governments				
		Total Direct Rates	Kent County	New Castle County	Smyrna School District-Kent County	
2017	0.40000	0.40000	0.30000	0.70060	1.40650	1.76740
2016	0.40000	0.40000	0.30000	0.70060	1.41910	1.78350
2015	0.40000	0.40000	0.30000	0.70060	1.30770	1.64330
2014	0.36000	0.36000	0.30000	0.70060	1.12670	1.41610
2013	0.31000	0.31000	0.30000	0.70060	1.01190	1.32400
2012	0.29000	0.29000	0.30000	0.70060	1.01190	1.27160
2011	0.25260	0.25260	0.30000	0.70180	0.99700	1.25290
2010	0.25260	0.25260	0.31000	0.70180	1.00260	1.26000
2009	0.25260	0.25260	0.25000	0.56140	1.18030	1.19670
2008	0.25260	0.25260	0.25000	0.56140	1.07800	1.10900

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 Eight Years Ago*  
*Unaudited*

Taxpayer	2017			2009*		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Valuation
Wal-mart Stores East, LP	\$ 49,683,100	1	5.34%	\$ 49,683,100	1	6.14%
Smyrna Professional Properties	17,955,700	2	1.93%	19,341,000	4	2.39%
Worthington Properties, LLC	18,247,600	3	1.96%	24,701,000	2	3.05%
Liborio III, LP	17,082,026	4	1.84%	22,780,400	3	2.81%
Smyrna Two LLC	14,487,500	5	1.56%	11,808,800	7	1.46%
Glenwood Associates, LLC	11,725,300	6	1.26%	11,720,300	8	1.45%
Sunnyside Apartments	11,190,300	7	1.20%	**		**
Brenford Holdings, LLC	7,746,860	8	0.83%	**		**
Goldsborough Rd Dev LLC	7,023,790	9	0.76%	**		**
KRM Development Corp	6,889,500	10	0.74%	**		**
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 Co.	**		**	6,846,000	10	0.85%
<b>Total</b>	<b>\$ 162,031,676</b>		<b>17.42%</b>	<b>\$ 188,458,100</b>		<b>23.28%</b>

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>
2017	\$ 3,723,797	\$ 3,550,507	95.35%	\$ -	\$ 3,550,507	95.35%
2016	3,641,735	3,523,608	96.76%	74,225	\$ 3,597,833	98.79%
2015	3,605,194	3,515,327	97.51%	53,500	3,515,327	97.51%
2014	3,167,387	3,001,773	94.77%	151,071	3,152,844	99.54%
2013	2,753,382	2,595,641	94.27%	109,146	2,704,787	98.24%
2012	2,474,313	2,356,151	95.22%	107,953	2,464,104	99.59%
2011	2,157,403	2,052,853	95.15%	100,893	2,153,746	99.83%
2010	2,101,560	2,020,017	96.12%	82,669	2,102,686	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%	68,840	1,813,337	98.95%

(1) Face amount

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			
2017	\$ 4,772,434	\$ 74,309	\$ 2,492,400	\$ 11,964,697	\$ 3,402,600	\$ 17,224	\$ 22,723,664	0.34%	1,974
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	0.32%	1,915
2014	1,299,628	-	2,896,600	10,378,587	3,938,400	-	18,513,215	0.28%	1,634
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

(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	<u>Governmental Activities</u>		<u>Buisness-type Activities</u>		Total Primary Government	Percentage of General Obligation Bonded Debt to Assessed Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds						
2017	\$	2,492,400	\$	3,402,600	\$ 5,895,000	0.63%	\$ 512
2016		2,630,000		3,585,000	6,215,000	0.68%	558
2015		2,765,450		3,764,550	6,530,000	0.73%	583
2014		2,896,600		3,938,400	6,835,000	0.78%	603
2013		3,025,600		4,109,400	7,135,000	0.81%	643
2012		3,152,450		4,277,550	7,430,000	0.87%	690
2011		3,275,000		4,440,000	7,715,000	0.91%	754
2010		-		-	-	0.00%	-
2009		-		-	-	0.00%	-
2008		-		-	-	0.00%	-

(1) See the Schedule of Revenue base for Estimated Actual Taxable Value of property data.

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

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

Source: Town financial reports

**TOWN OF SMYRNA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
*December 31, 2017*  
*Unaudited*

	General Obligation Debt Outstanding	Estimated Percentage Applicable to Town of Smyrna	Estimated Share of Overlapping Debt
Direct debt			
Bonds payable	\$ 2,492,400	100.00%	\$ 2,492,400
Capital lease payable	74,309	100.00%	74,309
Loans payable	<u>4,772,434</u>	100.00%	<u>4,772,434</u>
Total direct debt	<u>7,339,143</u>		<u>7,339,143</u>
Overlapping debt (1)			
Kent County	8,562,065	0.62%	53,243
New Castle County	179,696,340	5.80%	10,422,388
Smyrna School District	<u>21,393,784</u>	88.19%	<u>18,867,792</u>
Total overlapping debt	<u>209,652,189</u>		<u>29,343,423</u>
Total direct and overlapping debt	<u>\$ 216,991,332</u>		<u>\$ 36,682,566</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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit	\$ 41,849	\$ 40,966	\$ 40,519	\$ 39,530	\$ 39,437	\$ 38,376	38,358	37,603	\$ 36,435	\$ 32,266
Total net debt applicable to limit	<u>22,724</u>	<u>24,070</u>	<u>21,440</u>	<u>18,513</u>	<u>15,706</u>	<u>14,343</u>	<u>13,692</u>	<u>11,258</u>	<u>10,378</u>	<u>10,792</u>
Legal debt margin	<u>\$ 19,125</u>	<u>\$ 16,895</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>
Total net debt applicable to the limit as a percentage of debt limit	54.30%	58.76%	52.91%	46.83%	39.83%	37.38%	35.70%	29.94%	28.48%	33.45%
Total taxable assessment	\$ 929,979									
Debt limit percentage (1)	<u>4.50%</u>									
Debt limit	41,849									
Outstanding Debt	<u>22,724</u>									
Legal debt margin	<u>\$ 19,125</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 Eight Years Ago*  
*Unaudited*

Industry	2017			2009*		
	Estimated Employees	Rank	Percentage of Total Employment	Estimated Employees	Rank	Percentage of Total Employment
Local governments	765	1	28.38%	652	2	25.24%
Retail trade	700	2	25.96%	700	1	27.10%
Health care	650	3	24.11%	650	3	25.16%
Manufacturing	581	4	21.55%	581	4	22.49%
<b>Total</b>	<b>2,696</b>		<b>100.00%</b>	<b>2,583</b>		<b>100.00%</b>

\* Earliest available information.

The Town has only listed employers in the Town of Smyrna and the neighbouring municipality.

Source: Kent Economic Partnership, Inc., 2013 Kent County Major Employers Report, Town Records

Note: The names of the top employers and number of employees is confidential and may not be disclosed to the public pursuant to 20 CFR (Code of Federal Regulations) Part 603. As a result, the employment information is provided by industry.

**TOWN OF SMYRNA**

**TOP 10 WATER AND WASTEWATER UTILITY CUSTOMERS**

*For the year ended December 31, 2017*

*Unaudited*

Customer	Water Consumption (Tgal)	% of Total Consumption	Revenue Billed	% of Total Revenue
Delaware Home and Hospital	18,774	7.1%	\$ 17,020	1.2%
Lenape Properties Mgmt	14,210	5.3%	119,687	8.3%
Walmart	5,784	2.2%	29,204	2.0%
Smyrna School District	4,568	1.7%	10,814	0.8%
Division of Public Health	3,310	1.2%	17,020	1.2%
DEMEC	2,745	1.0%	12,071	0.8%
Fresenius Medical Care	2,058	0.8%	9,458	0.7%
Surya Hospitality Mgmt LLC	1,491	0.6%	7,271	0.5%
DSC Laundries LLC	1,267	0.5%	6,201	0.4%
Royal Farms	1,043	0.4%	6,718	0.5%
Totals for Top 10 Customers	55,250	20.8%	235,464	16.4%
All Other	210,581	79.2%	1,201,100	83.6%
Total for System	265,831	100.0%	\$ 1,436,564	100.0%

Customer	Wastewater Consumption (Tgal)	% of Total Consumption	Revenue Billed	% of Total Revenue
Delaware Home and Hospital	18,774	7.1%	\$ 138,737	6.3%
Lenape Properties Mgmt	14,210	5.3%	211,890	9.6%
Walmart	5,784	2.2%	43,779	2.0%
Smyrna School District	4,568	1.7%	35,177	1.6%
Division of Public Health	3,310	1.2%	7,046	0.3%
Fresenius Medical Care	2,058	0.8%	14,176	0.6%
Surya Hospitality Mgmt LLC	1,491	0.6%	10,858	0.5%
DSC Laundries LLC	1,267	0.5%	9,253	0.4%
Royal Farms	1,043	0.4%	9,975	0.5%
Smyrna Dinner	1,013	0.4%	7,822	0.4%
Totals for Top 10 Customers	53,518	20.1%	488,713	22.2%
All Other	212,313	79.9%	1,715,500	77.8%
Total for System	265,831	100.0%	\$ 2,204,213	100.0%

**TOWN OF SMYRNA****TOP 10 ELECTRIC UTILITY CUSTOMERS***For the year ended December 31, 2017**Unaudited*

Customer	Kwh	% of Total Kwh	Revenue Billed	% of Total Revenue
Walmart	16,596,152	15.7%	\$ 1,221,624	8.98%
Smyrna School District	8,580,240	8.1%	916,770	6.74%
Delaware Home and Hospital	4,839,840	4.6%	468,924	3.45%
Albertson Inc.	3,398,800	3.2%	266,963	1.96%
Smyrna Health/Wellness Center	3,036,720	2.9%	298,658	2.20%
Division of Public Health	2,800,560	2.7%	207,893	1.53%
Food Lion	2,463,040	2.3%	155,920	1.15%
Bayhealth Medical Center	1,292,040	1.2%	149,125	1.10%
Verizon Communications	855,600	0.8%	91,385	0.67%
Wawa	731,160	0.7%	94,399	0.69%
Totals for Top 10 Customers	44,594,152	42.2%	3,871,660	42.20%
All Others	61,081,964	57.8%	9,727,782	57.80%
Total for System	105,676,116	100.0%	\$ 13,599,442	100.00%

**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>
2017	11,513	6,730,431,000	38,498	4.20%	5,411
2016	11,147	6,730,431,000	38,498	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

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 2016 personal income and per capita personal income information for both 2016 and 2017 since this information is unavailable from data source.

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

Function/Department	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government - Administration	16.00	16.00	17.00	16.00	16.00	14.00	14.00	14.00	14.00	15.00
Public Safety - Police	30.00	28.00	29.00	29.00	28.00	30.00	29.00	29.00	29.00	29.00
Public Works	12.00	15.00	12.00	13.00	13.00	12.00	12.00	11.00	11.00	14.00
Planning and Inspection	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00
Library	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Culture and Recreation - Parks	4.00	5.00	3.00	3.00	2.00	2.00	1.00	1.00	3.00	3.00
<b>General Fund Total</b>	<b>69.00</b>	<b>71.00</b>	<b>68.00</b>	<b>68.00</b>	<b>66.00</b>	<b>65.00</b>	<b>64.00</b>	<b>63.00</b>	<b>65.00</b>	<b>69.00</b>
Public Utilities	10.00	10.00	7.00	8.00	8.00	8.00	8.00	9.00	9.00	9.00
<b>Electric Fund Total</b>	<b>10.00</b>	<b>10.00</b>	<b>7.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>
Public Utilities	5.00	5.00	4.00	3.00	4.00	4.00	4.00	4.00	4.00	3.00
<b>Water and Sewer Fund Total</b>	<b>5.00</b>	<b>4.00</b>	<b>4.00</b>	<b>3.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>3.00</b>
<b>Total Staff</b>	<b>84.00</b>	<b>85.00</b>	<b>79.00</b>	<b>79.00</b>	<b>78.00</b>	<b>77.00</b>	<b>76.00</b>	<b>76.00</b>	<b>78.00</b>	<b>81.00</b>

**TOWN OF SMYRNA**

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

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Public Safety</b>										
Calls for service	17,071	16,036	18,431	16,810	19,743	21,079	21,383	16,952	20,087	22,099
Criminal arrests	1,009	957	943	1,065	712	523	1,572	2,318	1,700	1,788
Dui arrests	64	49	68	81	98	110	96	70	122	140
Traffic warnings	1,143	557	1,004	1,321	2,447	2,433	2,503	1,707	2,012	2,107
Traffic arrests	2,697	2,285	2,211	2,670	3,747	4,240	3,084	3,084	3,286	4,955
<b>Planning and Inspection</b>										
Total fees collected for construction (1)	\$ 1,120,034	\$ 1,143,456	\$ 882,547	\$ 900,689	\$ 704,287	\$ 695,521	\$ 490,514	\$ 1,018,701	\$ 1,377,629	\$ 1,766,180
Construction inspections (2)	2,172	1,831	1,085	820	801	728	703	1,156	1,469	1,751
Building permits issued	523	642	389	272	312	324	341	497	582	610
<b>Public Library</b>										
Total number of registered borrowers	8,610	8,922	8,434	7,687	7,723	8,303	7,617	17,832	9,376	9,376
Attendance per year	82,448	89,704	88,025	84,713	87,432	89,411	82,987	81,722	82,127	78,895
Total book circulation	87,082	100,643	116,193	95,599	90,183	90,148	73,823	66,111	58,934	38,415
E books circulation	5,790	4,909	6,096	-	-	-	-	-	-	-
Electronic materials	8,398	17,538	8,496	-	-	-	-	-	-	-
Number of books	22,740	23,422	24,312	21,824	23,843	23,751	21,566	26,254	22,149	20,246
<b>Water utility</b>										
Gallons used	265,831,000	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
Connections	5,088	4,938	4,822	4,755	4,671	4,305	3,789	3,789	3,789	3,789
<b>Electric utility</b>										
Usage Sales (kwh)	106,951,508	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
<b>Culture and recreation</b>										
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 is not available.

**TOWN OF SMYRNA**  
**CAPITAL ASSET INFORMATION**

<u>TOWN SERVICE BUILDINGS</u>	<u>ACQUISITION DATE/ADDITIONS/ RENOVATIONS</u>
Town of Smyrna Administration Building 27 South Market Street Plaza Smyrna DE, 19977	January, 1976
Town of Smyrna Police Department 325 West Glenwood Avenue Smyrna DE, 19977	January, 1988, 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**



## **OTHER REPORT**

INDEPENDENT AUDITOR'S  
REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

June 25, 2018

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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 25, 2018.

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

**SCHEDULE OF  
FINDINGS AND RECOMMENDATIONS**

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

2016-001 WRITTEN POLICIES AND PROCEDURES

Finding

During our prior 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.

Recommendation

We 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 2018.

Status

During our current year audit, we noted that the Town was in the process on formalizing its policies and procedures as noted above. This finding is no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

