



TOWN of
Smyrna
DELAWARE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2018

Prepared by:

Gary F. Stulir, Town Manager

Business Office Staff



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Town of Smyrna

July 8, 2019

Honorable Mayor Robert C. Johnson
Honorable Members of Town Council
Citizens of the Town of Smyrna, Delaware

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") for the Town of Smyrna ("Town"). This report is for the fiscal year ended December 31, 2018. 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 of Smyrna to the highest level. Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. We believe the data as presented is accurate in all material respects. It is presented in a manner designed to fairly present the financial position and results of operations of the Town as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a clear understanding of the Town's financial affairs have been included.

The financial statements in this report have been audited by Barbacane, Thornton and Company LLP, an independent firm of certified public accountants as required by section 8.4 of the Town Code. Barbacane, Thornton and Company LLP has provided an unmodified opinion on the Town's financial statements for the year ended December 31, 2018. The independent auditor's report is located at the front of the financial section of this report.

Town of Smyrna

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

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

Profile of the Town

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

The Town of Smyrna was incorporated in 1817, under the provisions of the State of Delaware. The Town's strategic location in the northeast, in addition to its location 12 miles north of the State Capital of Dover, and 30 miles south of the major business centers of Newark and Wilmington, makes it a competitive location for business. Smyrna's historic small town atmosphere and its great pride in its quality of life and educational system make it highly desirable for families and homeowners. Smyrna was recently named in the top 100 best places to retire and was listed in This Old House's 2009 Best Old-House Neighborhoods. The Office of State Planning listed Smyrna as having the largest number of residential building permits of any municipality in the 2008 and 2009 years. Delaware Today magazine in the March 2016 issue named Smyrna as one of the 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 11,914 as of December 2018. The official census count as of April 2010 places the Town's population at 10,023. This is a 76% increase from the year 2000 census count that placed the Town's population count at 5,679. Smyrna is now Delaware's fifth largest municipality, moving ahead

Town of Smyrna

of Milford and Seaford in the past decade. Recent demographic data shows growth in both young families and in residents 55+, increasing personal incomes, and a consistently high home ownership rate.

The Town's governing body is composed of a Mayor and six council members. Three council members are elected from designated districts and serve staggered, three-year terms. Three members of council and the mayor are elected at-large. The mayor serves a two-year term; the other three of the at-large elected members serve three-year terms. The Council is responsible for all matters of policy and is the authority for levying taxes, securing revenues, authorizing expenditures of Town funds, and incurring Town debts. The Town of Smyrna operates under a Council – Manager form of government established in May 1945.

The Town provides a full range of services as mandated by the Town code or adopted by Town Council. They include police protection, streets and sanitation maintenance, recreation, library, public improvements, planning and zoning, safety inspections, electric power generation and distribution, water supply and wastewater services, legislative services, and general administration. The Town employs approximately 97 full-time and part-time employees.

Within the Town is a volunteer fire company that is autonomous. Under established criteria, operations of the Citizens' Hose Company No. 1 Inc. ("Citizens' Hose Company") are not a part of this report. The Citizens' Hose Company responds to over 400 alarms and accidents every year and is capable of handling most fire and rescue needs. The Town is served by a volunteer ambulance service operated by the American Legion ("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 in 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.

The Town just celebrated its 250th year and is looking forward to ongoing growth and redevelopment projects.

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, and Council Chambers. The Town Manager is responsible for

Town of Smyrna

implementing policies enacted by the mayor and council by providing day-to-day administration and operational management of the Town Staff. The Business Office handles utility and tax billing, computer systems management, personnel, accounting and financial management services, and voter operations. The Planning and Inspection Office located at 22 South Main Street 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 24 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 a K-9 unit, School Resource Officer, DARE Officer, Special Investigation Unit, Tactical Team, Motorcycle Patrol Unit, and Bicycle Patrol Unit. The Town applied for and received USDA funding to renovate and expand the police department building. This construction was completed in April 2016.

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 160th 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 3.1% as compared to 4.2% in the prior year.

While new construction continued during the fiscal year, construction fees received increased by approximately 44% from the prior year. The Town issued approximately 549 building permits with a construction value of approximately \$23.7 million.

The Town of Smyrna continues to get noticed. We have seen an uptick in economic development activities, media attention, and tourism. We believe these factors reflect the Town's deliberate and

Town of Smyrna

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 for 2018 with a Delaware Business Times article entitled, "New Restaurants and Retail Growth in Downtown Smyrna." Current media attention has focused on businesses such as: Yarn Maven (relocated in new expanded location), One North Main Eats and Sweets, Lemon Leaf Café and JR's Past Time Pub, Texas Maverick BBQ, Smyrna Music Hall, Artistic Tutelage, and the Painted Stave Distilling expansion.

The infrastructure improvements are underway in 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 culminate in the development of a 120,000 square foot building scheduled to begin later in 2019. This project was made possible by the Town's forward thinking commitment to bring water, 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% 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 of 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 reinvestment in Smyrna. The expansion also provided the catalyst to annex the former Harris Manufacturing site into the Town. Planning is underway for this site to be redeveloped into a Farmers' Market and other commercial uses. The first DDD housing redevelopment was 10 North Market Street, which was completed in 2017.

There were 17 applications to the Smyrna Redevelopment Authority ("RDA") for façade improvements in 2018. Façade grants up to \$2,500 are available for façade improvements. The average reinvestment for façade projects have exceeded \$8,271, representing a public/private reinvestment ratio of five to one.

The Town of Smyrna 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. This park was completed in 2018 and is a great amenity to the streetscape.

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, in 2019, will begin 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.

Town of Smyrna

Significant operating costs that will have a long term impact on the Town are its personnel, healthcare and postemployment 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.

Postemployment benefits costs continue to have a significant impact on the Town's financial condition as a result of the continued implementation of Governmental Accounting Standards Board ("GASB") Statements No. 68 and 75 that became effective in 2015 and 2018, respectively. The GASB now requires that governments disclose the net pension liability and the net postemployment benefit obligations. The reporting of these liabilities has contributed to the Town reporting a net deficit position in its financial statements.

Major Initiatives

The Delaware Department of Natural Resources and Environmental Control has authorized a loan to the Town from the Delaware Pollution Control Revolving Fund in an amount not to exceed \$1,705,275, in order to finance the replacement and upgrading of the wastewater mains, service lines, and related attachments on, under, or within South Main Street between South Street and Mill Street.

The Delaware Department of Health and Social Services has authorized a loan to the Town from the Delaware Drinking Water Revolving Fund in an amount not to exceed \$1,692,100, in order to finance the replacement and upgrading of the water mains, service lines, and related attachments on, under, or within South Main Street between South Street and Mill Street.

The Delaware Department of Natural Resources and Environmental Control has authorized a loan to the Town from the Delaware Pollution Control Revolving Fund in an amount not to exceed \$1,940,881 in order to finance the replacement and upgrading of the wastewater mains, service lines, and related attachments on, under, or within between East Street and Fairfield Drive on East Commerce Street.

The construction on the above major initiatives will begin in approximately May 2019. The projects are partly a beautification project, whereby street lights will also be replaced and new brick sidewalks will be laid to match the four corners project completed in 2009. The Town hopes that this spurs an increase in property values and redevelopment of properties in the surrounding area. This would also improve the area aesthetically, since it is one of the main entrances into town.

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% to 25% of the total volume of trash is recycled, saving the Town and its residents on disposal costs and helping to improve the environment.

The Delaware Municipal Electric Corporation ("DEMEC") has collaborated with the Town of Smyrna to help in the reduction in greenhouse gas pollution. The DEMEC and the Town of Smyrna recently commissioned the Smyrna Solar Facility in the summer of 2018 that will deliver 1.5 megawatts of electric energy to residents and businesses in the Town. This is enough to power an average of 158 homes in the Town for an entire year. The Town is one of four communities where DEMEC has built such solar facilities.

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

In 2014, Town Council reauthorized the Smyrna Slum Clearance and Redevelopment Authority ("RDA") to address deteriorated areas, provide funding to property owners for façade improvements, and secure sources of funding for financial assistance to business prospects. A grant request was approved by the USDA for a Rural Development Grant ("RDLEG program") to finance a revolving loan program for 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 the past under the Rural Business Enterprise Grant ("RBEG program") to support further development of marketing strategies for the community. The Town has established 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 and sewer infrastructure along South Main Street. The Town is seeking funds from the Delaware Drinking Water State Revolving Fund to finance this project. The funding for these projects were approved in 2018.

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.

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

Town of Smyrna

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, 2017. 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 ninth time Smyrna has been recognized by 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 tenth 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, 2017

Christopher P. Morill

Executive Director/CEO

TOWN OF SMYRNA

List of Elected and Appointed Officials

July 8, 2019

Elected Officials

Robert C. Johnson
Valerie M. Forbes
William D. Pressley, Sr.
Tabitha J. Gott
Margaret B. Mann
Michael A. Rasmussen

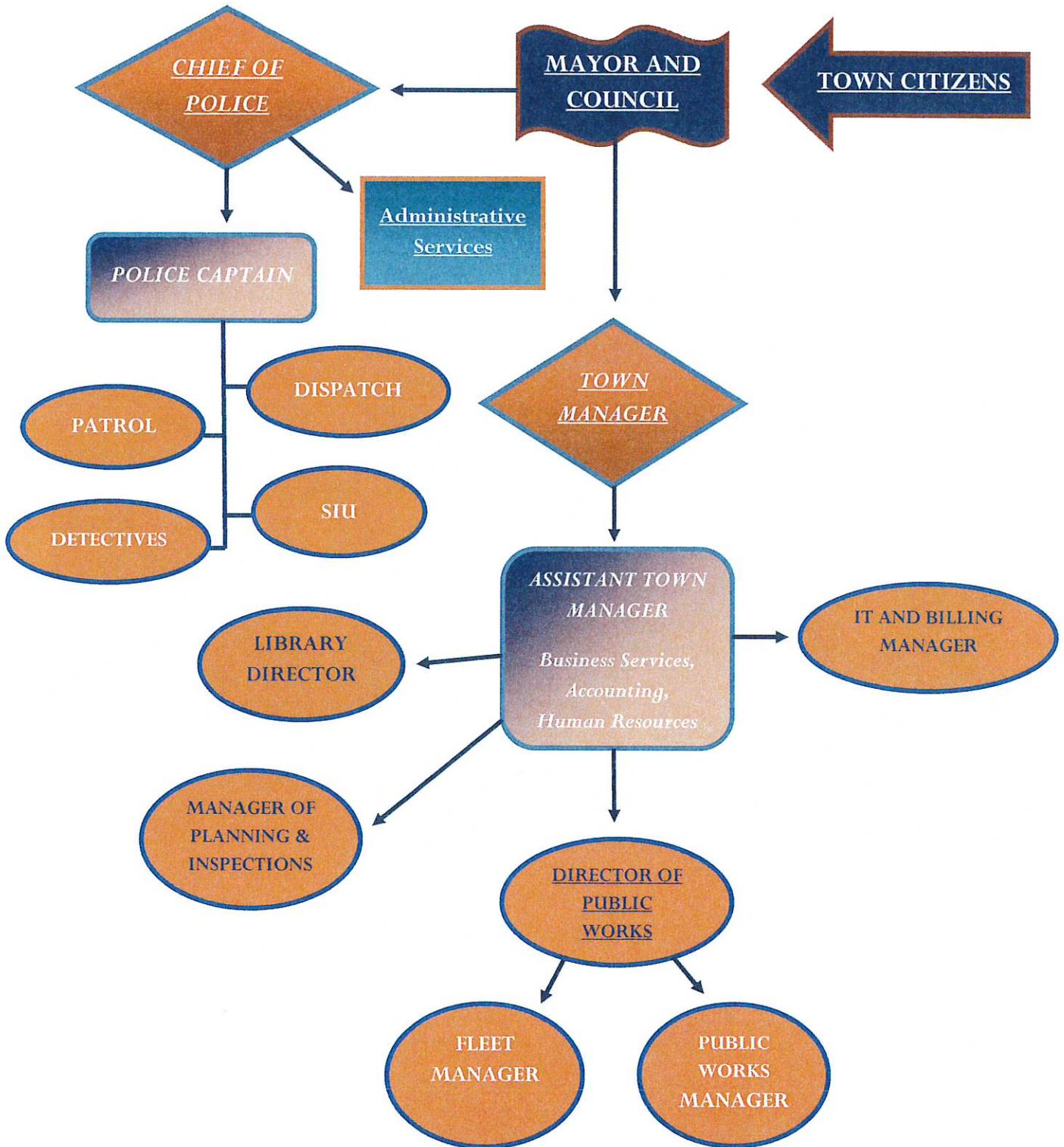
Mayor
Vice Mayor – District 3
Council Secretary – District At-Large
Council Member – District 1
Council Member – District 2
Council Member – District At-Large

Appointed Officials

Gary F. Stulir
Torrie M. James
D. Barret Edwards, IV

Town Manager
Police Chief
Attorney

TOWN OF SMYRNA'S 2018 ORGANIZATIONAL CHART







INDEPENDENT AUDITOR'S REPORT

July 8, 2019

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, 2018, 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

To the Honorable Mayor and Town Council
Town of Smyrna

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

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

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, 2018, 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.

Emphasis of a Matter

As discussed in Notes 1 and 21 to the financial statements, the Town of Smyrna has adopted the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement modifies the accounting for the Town's other postemployment benefits. As a result, the beginning governmental activities and business-type activities net positions have been restated. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Town of Smyrna's 2017 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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 99 - 107 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

To the Honorable Mayor and Town Council
Town of Smyrna

an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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 statements 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 July 8, 2019, 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, 2018**

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, 2018. 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 62% of total revenues, and program revenues accounted for 38% of total revenues (prior year, 64% and 36%, respectively). Total revenues increased primarily due to an increase in building permit fees, enforcement action fees, property taxes, donated property, and transfer tax revenues. The increase in building permit fees and transfer taxes will result as growth continues in Smyrna, which will also lead to an increase in transfer tax revenues from the sale of real estate. The increase in enforcement action fees is due to the Town's actions to ensure that property owners continue to maintain their properties. The Town also increased the property tax millage by 5%, resulting in increased property tax revenues. The Town also received donated property that was of significant value.
- In the governmental activities, current total expenses increased from \$10,657,622 in 2017 to \$11,633,241 in 2018. This represents a 9% increase. The increase was primarily due to the implementation of GASB Statement No. 75, which is related to other postemployment benefits. In addition, the current year costs related to its pension plans increased. Finally, the Town started to make payments related to its USDA loan used to expand the police building.
- Total revenues in the Town's general fund increased from \$8,142,972 in 2017 to \$8,694,434 in 2018. This represents approximately a 7% increase. Total revenues increased primarily due to an increase in building permit fees, enforcement action fees, property taxes, and transfer tax revenues as a result of the reasons stated above.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,596,525, which is an increase from the prior year balance of \$3,097,807. This increase is primarily due to an increase in other financing sources related to issuance of debt and transfers in from the electric fund subsidizing general fund operations, and there were no expenditures that occurred in 2018 for the annual road maintenance program in the municipal street aid fund.
- As of the end of the current fiscal year, the Town's business-type activities reported a net position of \$31,953,027, an increase of \$417,814 as compared to the prior year. The current year increase in net position may be attributed primarily due to an increase in capital contributions as a result of growth in the Town.

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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2018

- 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 \$8,532,466 and \$6,802,063 at December 31, 2018 and December 31, 2017, respectively.
- The Town implemented GASB Statement No. 75 in 2018, "Accounting and Financial Reporting for postemployment benefits other than pensions," which requires state and local governments whose employees are provided with other postemployment benefits ("OPEB") to account for and report the annual OPEB cost and obligations. The Town reported a net OPEB liability totaling \$9,140,000 and \$9,443,245 at December 31, 2018 and December 31, 2017, respectively.

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*).

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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2018

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% of its electric supply requirements from the Delaware Municipal Electric Corporation ("DEMEC") under a long-term full requirements service contract. In addition, the Town is charged a fee by Kent County to discharge the Town's proportionate share of wastewater into its respective facilities under an operating contract.

The entity-wide financial statements can be found on pages 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2018

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic Governmental Fund financial statements can be found on pages 32 to 36 of this report.

Proprietary Funds: The Town maintains three different types of Proprietary Funds: the Water and Sewer Fund, Electric Fund, and the Smyrna Slum Clearance and Redevelopment Fund ("RDF"). These funds are Enterprise Funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the entity-wide financial statements. These funds account for the financial transactions related to the water and sewer operations, electric distribution operations, and the redevelopment projects of the Town.

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 98 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 postemployment benefit plans. The required supplementary information can be found on pages 99 to 107 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 108 to 111 of this report.

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STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

ADDITIONS	Totals	
	<u>2018</u>	<u>2017</u>
Contributions:		
Employer contribution	\$ 279,021	\$ 139,510
Employee contributions	69,281	72,658
Returned member plan assets	27,589	53,844
Total Contributions	<u>375,891</u>	<u>266,012</u>
Investment income (loss):		
Interest and dividends	406,588	355,769
Net appreciation (depreciation) in fair value of investments	(418,067)	514,097
Total Investment Income (Loss)	<u>(11,479)</u>	<u>869,866</u>
Less investment expense	129,138	125,842
Net Investment Income (Loss)	<u>(140,617)</u>	<u>744,024</u>
TOTAL ADDITIONS	<u>235,274</u>	<u>1,010,036</u>
DEDUCTIONS		
Benefits paid	694,742	692,672
Administrative expenses	4,783	4,454
TOTAL DEDUCTIONS	<u>699,525</u>	<u>697,126</u>
NET INCREASE (DECREASE) IN NET POSITION	(464,251)	312,910
NET POSITION RESTRICTED FOR PENSIONS:		
Beginning of year	<u>11,958,872</u>	<u>11,645,962</u>
End of year	<u>\$ 11,494,621</u>	<u>\$ 11,958,872</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 ("the Town") 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 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* ("GASB Codification") 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.

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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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

each year. Electric fees do not constitute a lien; however, maintenance of adequate customer deposits, monthly billing, and diligent collection procedures minimize losses from uncollectible accounts. In addition, the Town's governmental funds receivables relate largely to tax receivables and intergovernmental grant receivables. Tax receivables are considered to be fully collectible, as the Town can lien taxpayers' real property for lack of payment, and are normally paid in full when the title to a property transfers. Intergovernmental grant receivables, based on their nature, are also considered to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established by the Town.

Deferred Inflows and Deferred Outflows of Resources

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

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Town has several items that are required to be reported in this category: (1) differences between actual and projected investment returns related to pensions and other postemployment benefits ("OPEB"), (2) differences between actual and expected experience related to pensions and OPEB, (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 and OPEB. Differences between the actual and projected investment returns related to pensions and OPEB are deferred and amortized over five years; the remaining deferred outflows related to the pensions and OPEB 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 three items that are required to be reported in this category: (1) The deferred inflow from pensions, (2) The deferred inflow from OPEB, and (3) unavailable revenue. Deferred inflows related to pensions and OPEB include: (a) differences between actual and projected investment returns related to pensions and OPEB, (b) differences between actual and expected experience related to pensions and OPEB, (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 and OPEB. Differences between the actual and projected investment returns related to pensions and OPEB are deferred and amortized over five years; the remaining deferred outflows related to the pensions and OPEB are amortized over the estimated remaining service lives of the plans' participants.

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NOTES TO THE FINANCIAL STATEMENTS

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

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. 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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

first six months of employment. Sick leave is accrued at the rate of 12 days per completed year prorated at the rate of one day for each completed month of service. Employees may accumulate an unlimited number of sick leave days. One-half of the full amount accumulated up to 20 days maximum is paid if the employee is terminated in good standing, retires, or dies. Vacation is accrued for each month of work performed. The accrual rate increases with years of service up to a maximum of 24 days per year for 20 years of service and over. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service. In 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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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 – fund classifications includes amounts that have not met the criteria of the aforementioned fund balance classifications. The unassigned fund balance is available for expenditures as they are incurred. The general fund is the only fund that reports a positive fund balance amount.

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

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NOTES TO THE FINANCIAL STATEMENTS

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

September 30. Taxes paid before July 1 are given a 6% discount. Taxes paid on or after September 30 of each year are assessed interest at 1½% 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 2018 was 42 cents per \$100 of assessed value.

Use of Estimates in the Preparation of Financial Statements

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

Restricted Assets

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

Budgetary Information

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

- a. Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on a basis consistent with generally accepted accounting principles.
- b. The Town Council adopts legal annual budgets for the General Fund and Proprietary Funds. The Town Council also adopts legal project length budgets for its Capital Improvement Fund and certain nonmajor governmental funds. Since project periods may differ from the Town's fiscal year, a comparison of budgetary information for the Capital Improvement Fund and certain nonmajor governmental funds would not be meaningful and has not been presented in the accompanying financial statements.
- c. The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- d. Unused appropriations for all of the above annually budgeted funds lapse at year end.
- e. For 2018, there were no amendments to the legally adopted budgets.

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NOTES TO THE FINANCIAL STATEMENTS

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

Implementation of New Accounting Pronouncements

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. The impact of this statement has been reflected in these financial statements.

GASB Statement No. 85, "Omnibus 2017," was implemented by the Town. The objective of this statement is to address practice issues that have been identified during the implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits ("OPEB")). The implementation of this standard did not have a material impact on these financial statements.

GASB Statement No. 86, "*Certain Debt Extinguishment Issues*," was implemented by the Town. The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this standard did not have a material impact on these financial statements.

New Accounting Pronouncements

GASB Statement No. 83, "Certain Asset Retirement Obligations," was issued in November 2016 and is effective for periods beginning after June 15, 2018. This statement addresses accounting and financial reporting for certain asset retirement obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

GASB Statement No. 84, "Fiduciary Activities," was issued in January 2017 and is effective for periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

GASB Statement No. 87, "Leases," was issued in June 2017 and is effective for periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Accounting for the Effects of Rate Regulation

The Town has elected to be subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("FASB ASC") 980, "Regulated Operations." This statement recognizes the economic ability of regulators, through the ratemaking process, to create future economic benefits and obligations affecting rate-regulated companies. Accordingly, the Town records these future obligations as regulatory liabilities.

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

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

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

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

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, 2017, from which the summarized information was derived.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, the General Fund incurred expenditures in excess of appropriations in the following functions:

<u>Function</u>	<u>Expenditures Over Budget</u>
Public works	\$ 224,642
Planning and inspection	\$ 215,917
Debt service - principal	\$ 17,844
Debt service - interest	\$ 229,162

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

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Town has not adopted a formal policy limiting the amount of the Town's deposits subject to custodial credit risk. At December 31, 2018, the carrying amount of the Town's deposits was \$4,023,863, and the bank balance was \$4,386,001. 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, 2018, \$269,793 was covered by federal depository insurance, and \$4,116,208 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Town's name. The Town has not experienced any losses in such accounts.

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

Investments

As of December 31, 2018, the Town had the following investments:

	<u>Fair Value</u>	<u>Level 1</u>
U.S. Treasury bills and notes	\$ 1,260,703	\$ 1,260,703
Equity mutual funds	130,020	130,020
Money market mutual funds	<u>2,181,027</u>	<u>2,181,027</u>
	<u>\$ 3,571,750</u>	<u>\$ 3,571,750</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. At December 31, 2018, 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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

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

Concentration Risk

The investment policy of the Town does not limit amounts invested in U.S. Government guaranteed obligations.

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

NOTE 4 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 1,738,359	\$ 18,822	\$ -	\$ 1,757,181
Total Capital Assets Not Being Depreciated	1,738,359	18,822	-	1,757,181
Capital assets being depreciated:				
Buildings and improvements	11,892,618	275,000	-	12,167,618
Infrastructure	21,240,224	-	-	21,240,224
Land improvements	792,958	91,328	-	884,286
Machinery and equipment	4,804,307	402,390	(106,964)	5,099,733
Total Capital Assets Being Depreciated	38,730,107	768,718	(106,964)	39,391,861
Less accumulated depreciation for:				
Buildings and improvements	2,211,433	248,088	-	2,459,521
Infrastructure	10,316,484	700,045	-	11,016,529
Land improvements	583,277	27,083	-	610,360
Machinery and equipment	3,806,376	223,061	(79,034)	3,950,403
Total Accumulated Depreciation	16,917,570	1,198,277	(79,034)	18,036,813
Total Capital Assets Being Depreciated, Net	21,812,537	(429,559)	(27,930)	21,355,048
Governmental Activities Assets, Net	<u>\$23,550,896</u>	<u>\$ (410,737)</u>	<u>\$ (27,930)</u>	<u>\$23,112,229</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 430,952	\$ -	\$ -	\$ 430,952
Construction-in-progress	3,175,942	147,093	(2,435,377)	887,658
Total Capital Assets Not Being Depreciated	3,606,894	147,093	(2,435,377)	1,318,610
Capital assets being depreciated:				
Buildings and improvements	3,265,334	-	-	3,265,334
Infrastructure	52,860,530	2,812,984	-	55,673,514
Machinery and equipment	2,519,139	62,511	-	2,581,650
Total Capital Assets Being Depreciated	58,645,003	2,875,495	-	61,520,498

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and improvements	1,064,567	61,634	-	1,126,201
Infrastructure	13,691,025	1,466,596	-	15,157,621
Machinery and equipment	1,519,739	136,825	-	1,656,564
Total Accumulated Depreciation	<u>16,275,331</u>	<u>1,665,055</u>	<u>-</u>	<u>17,940,386</u>
Total Capital Assets Being Depreciated, Net	<u>42,369,672</u>	<u>1,210,440</u>	<u>-</u>	<u>43,580,112</u>
Business-type Activities Assets, Net	<u>\$45,976,566</u>	<u>\$ 1,357,533</u>	<u>\$ (2,435,377)</u>	<u>\$44,898,722</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General government	\$ 81,285
Public safety	210,222
Public works	839,363
Planning and inspection	19,306
Library	16,689
Culture and recreation	31,412

Total Depreciation Expense - Governmental Activities \$ 1,198,277

Business-type Activities:

Electric	\$ 853,687
Water	811,368

Total Depreciation Expense - Business-type Activities \$ 1,665,055

NOTE 5 LONG-TERM LIABILITIES

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds payable	\$ 2,492,400	\$ -	\$ 141,900	\$ 2,350,500	\$ 146,200
Loans payable	4,772,434	127,566	207,920	4,692,080	79,196
Capital lease payable	74,309	185,241	53,224	206,326	73,293
Compensated absences	556,465	145,655	193,082	509,038	50,903
Net OPEB liability	8,458,957	-	262,181	8,196,776	-
Net pension liability	5,360,498	1,171,652	-	6,532,150	-
TOTAL	<u>\$21,715,063</u>	<u>\$ 1,630,114</u>	<u>\$ 858,307</u>	<u>\$22,486,870</u>	<u>\$ 349,592</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Business-type Activities</i>					
Bonds payable	\$ 3,402,600	\$ -	\$ 188,100	\$ 3,214,500	\$ 193,800
Loans payable	11,964,697	-	734,729	11,229,968	758,059
Capital lease payable	17,224	-	9,633	7,591	7,591
Compensated absences	115,156	64,799	81,523	98,432	9,843
Net OPEB liability	984,288	-	41,064	943,224	-
Net pension liability	1,441,565	558,751	-	2,000,316	-
TOTAL	<u>\$17,925,530</u>	<u>\$ 623,550</u>	<u>\$ 1,055,049</u>	<u>\$17,494,031</u>	<u>\$ 969,293</u>

For the governmental activities, bonds, loans, and capital lease payable; compensated absences; net pension liability; and net other postemployment benefit ("OPEB") liability 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.

\$ 2,350,500

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%.

4,692,080

Total Governmental Activities

\$ 7,042,580

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.

\$ 559,943

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 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. 851,824

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. 3,214,500

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. 2,468,443

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. 1,320,379

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. 124,577

The Town obtained a line of credit in the amount of \$1,000,000 to assist in providing interim funding for specific water and sewer projects that have committed financing in place. Interest is paid monthly at a floating rate. The loan matures September 30, 2019. At year end, the interest rate was 3.28%. 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%. 1,791,063

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 South Street wastewater project. The loan matures April 30, 2032 and bears interest at 2.0%, payable on April 30 and October 30.	1,066,265
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.	238,053
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.	135,974
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.	453,176
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%.	486,293
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.	823,397
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.	<u>902,733</u>
Total Business-type Activities	<u>\$ 14,444,468</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

An analysis of debt service requirements to maturity on the loans is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2019	\$ 1,177,255	\$ 556,749	\$ 1,734,004
2020	1,197,963	527,192	1,725,155
2021	1,231,959	496,350	1,728,309
2022	1,261,403	463,715	1,725,118
2023	1,296,308	429,467	1,725,775
2024-2028	6,343,627	1,612,028	7,955,655
2029-2033	4,627,920	721,249	5,349,169
2034-2038	936,788	433,900	1,370,688
2039-2043	982,893	337,726	1,320,619
2044-2048	1,089,175	231,444	1,320,619
2049-2053	914,981	120,479	1,035,460
2054-2055	426,776	21,744	448,520
Total	<u>\$ 21,487,048</u>	<u>\$ 5,952,043</u>	<u>\$ 27,439,091</u>

Authorized Debt

The Town applied for financing from the Delaware Water Pollution Control Revolving Fund of the Delaware Department of Natural Resources and Environmental Control to be used for the South Main Street Utility Replacement Project. The loan will be used to construct PVC sanitary sewer lines and replace all the associated sewer laterals and manholes on South Main Street between South Street and East Mill Street. The Department authorized this loan in December 2018 in the amount of \$1,705,275 for a term of 20 years. The interest rate for the loan shall be 2.0%. There have been no disbursements of funds from this loan as of December 31, 2018.

The Town applied for financing from the Delaware Drinking Water Revolving Fund of the Delaware Department of Health and Social Services to be used for the South Main Street Utility Replacement Project. The loan will be used to address failing and undersized water mains. All water mains will be abandoned and all water services will be replaced along with valves and fire hydrants. The Department authorized this loan in December 2018 in the amount of \$1,692,100 for a term of 20 years. The interest rate for the loan shall be 2%. There have been no disbursements of funds from this loan as of December 31, 2018.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

Town council approved in April 2018 a resolution authorizing the Town to enter into an agreement for a Master Equipment Lease-Purchase agreement with PNC Equipment Finance, LLC for the purpose of acquisition, purchase, financing and leasing of certain equipment not to exceed \$1,000,000. As of December 31, 2018, the Town has used this agreement to finance the purchase of new street sweeper totaling \$185,241.

Town council approved in September 2012 a line of credit totaling \$1,000,000 to assist the Town in providing interim funding in place for specific utility projects that have committed financing in place. As of December 31, 2018, the Town has utilized a total of \$7,848 against this line of credit.

Compensated Absences

At December 31, 2018, accrued compensated absences for governmental activities totaled \$509,038. This total is comprised of accrued vacation leave of \$199,071, accrued sick leave of \$291,534, and compensatory time of \$18,433. In addition, at December 31, 2018, accrued compensated absences in the business-type activities and proprietary funds totaled \$98,432. This total is comprised of accrued vacation leave of \$56,943 and accrued sick leave of \$41,489.

Capital Leases

The Town has entered into a lease agreement for the financing of new police vehicles. This capital lease has been recorded at the present value of the future minimum lease payments as of the inception date.

The Town has also entered into a separate lease arrangement to finance the acquisition of new public works vehicles. 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	\$	430,159
Less: accumulated depreciation		<u>(83,684)</u>
		<u>\$ 346,475</u>

The governmental activities minimum lease payment amounted to \$53,224 in 2018. In the business-type activities, the minimum lease payments amounted to \$9,633 in 2018.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

The future lease payments under the capital lease at December 31, 2018 are as follows:

<u>Year Ending December 31,</u>		
2019	\$	88,912
2020		40,742
2021		40,742
2022		40,742
2023		20,371
Less amount representing interest		<u>(17,592)</u>
Present value of future minimum lease payments	\$	<u>213,917</u>

Operating Leases

The Town is leasing public works vehicles under operating leases. The total cost for such leases was \$69,513 in 2018. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31,</u>		
2019	\$	69,165
2020		<u>69,165</u>
Future minimum lease payments	\$	<u>138,330</u>

NOTE 6 INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2018 was as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ -	\$ 981,696
Capital Improvement Fund	-	246,143
Electric Fund	<u>1,227,839</u>	-
TOTAL	<u>\$ 1,227,839</u>	<u>\$ 1,227,839</u>

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 LOAN RECEIVABLE

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

<u>Year Ending December 31,</u>	
2019	\$ 30,000
2020	30,000
2021	30,000
2022	30,000
2023	30,000
Thereafter	<u>70,000</u>
Future minimum lease payments	<u>\$ 220,000</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 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 2018 totaled \$24,280.

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 3% each year. Lease revenue recognized for this lease in 2018 totaled \$30,622.

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 2018 totaled \$7,760.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 RENTAL INCOME (cont'd)

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 2018 totaled \$11,350.

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 2018 totaled \$24,000.

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

<u>Year Ending December 31,</u>	
2019	\$ 84,808
2020	20,310
2021	7,750
2022	9,300
2023	9,300
Thereafter	<u>411,525</u>
Future minimum lease payments	<u>\$ 542,993</u>

NOTE 9 FUND BALANCE

As of December 31, 2018, 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:				
Inventory	\$ 23,439	\$ -	\$ -	\$ 23,439
Restricted:				
Police	-	-	82,732	82,732
Public works	-	-	469,997	469,997
Committed:				
Capital projects	1,990,952	822,837	-	2,813,789
Unassigned	<u>206,568</u>	<u>-</u>	<u>-</u>	<u>206,568</u>
Total Fund Balances	<u>\$ 2,220,959</u>	<u>\$ 822,837</u>	<u>\$ 552,729</u>	<u>\$ 3,596,525</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 FUND BALANCE (cont'd)

During 2013, the Town established a Budget Reserve Account as passed by Town Ordinance. The Budget Reserve Account will be \$3,000,000 or 10% of the General Fund operating budget (excluding extraordinary or onetime items), whichever is greater. As of December 31, 2018, 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, 2018 is as follows:

Governmental Activities:	
Total capital assets, net	\$ 23,112,229
Less: loans, bonds, and capital leases payable	<u>(7,248,906)</u>
Total Net Investment in Capital Assets	<u>\$ 15,863,323</u>
Business-type Activities:	
Total capital assets, net	\$ 44,898,722
Less: loans, bonds, and capital leases payable	<u>(14,452,059)</u>
Total Net Investment in Capital Assets	<u>\$ 30,446,663</u>

NOTE 11 DEFINED BENEFIT PENSION PLANS

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

The Town administers the assets of the two single-employer defined benefit plans and, accordingly, is required to prepare pension trust fund financial statements, using the accrual basis of accounting. Separate pension fund financial statements for each plan have not been issued; accordingly, they are presented as required by the GASB Codification as follows:

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 DEFINED BENEFIT PENSION PLANS (cont'd)

STATEMENT OF NET POSITION - PENSION TRUST FUNDS
December 31, 2018

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
ASSETS			\$ 1,050,370
Cash and cash equivalents	\$ 905,113	\$ 145,257	27,405
Interest receivable	4	27,401	50,293
Contribution receivable	50,293	-	48,671
Prepaid expense	19,813	28,858	
Investments at fair value:		1,040,756	1,040,756
Equities	89,829	1,240,653	1,330,482
Mutual funds	-	4,274,459	4,274,459
Fixed income	95,668	-	95,668
Exchange traded funds	1,948,173	1,674,037	3,622,210
Insurance contracts			
	<u>\$ 3,108,893</u>	<u>\$ 8,431,421</u>	<u>\$ 11,540,314</u>
TOTAL ASSETS			
LIABILITIES AND NET POSITION			\$ 45,693
LIABILITIES	\$ 23,142	\$ 22,551	11,494,621
NET POSITION:		8,408,870	
Net position restricted for pensions	<u>3,085,751</u>	<u>8,408,870</u>	<u>\$ 11,540,314</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,108,893</u>	<u>\$ 8,431,421</u>	

STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS
For the Year Ended December 31, 2018

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
ADDITIONS			\$ 279,021
Contributions:		\$ 279,021	69,281
Employer contribution	\$ -	46,479	27,589
Employee contribution	22,802	-	375,891
Returned member plan assets	27,589	-	
Total Contributions	<u>50,391</u>	<u>325,500</u>	406,588
Investment Income (loss):	96,034	310,554	(418,067)
Interest and dividends	(14,605)	(403,462)	(11,479)
Net depreciation of fair value investments	81,429	(92,908)	(129,138)
Total Investment Income (loss)	<u>(27,433)</u>	<u>(101,705)</u>	(140,617)
Less investment expense	53,996	(194,613)	235,274
Net Investment Income (loss)	<u>104,387</u>	<u>130,887</u>	
TOTAL ADDITIONS			

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

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

Money-weighted Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on the Plan investments, net of investment expense was -2.26%. 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, 2018, the Plan recognized pension expense of \$564,016. At December 31, 2018, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows	Deferred Outflows
Differences between actual and expected experience	\$ 141,743	\$ 305,354
Change of assumptions	27,210	458,910
Difference between actual and projected investment returns	-	561,034
Total Deferred Outflows and Inflows	\$ 168,953	\$ 1,325,298

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

<u>Year Ending December 31,</u>	
2019	
2020	\$ 473,968
2021	343,927
2022	191,620
	146,830
	\$ 1,156,345

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

The following actuarial methods and assumptions were used in the January 1, 2018 funding valuation.

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	8 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, 2018 Actuarial Valuation presented by Milliman, Inc., signed by Rebecca Ross, EA and Timothy J. Nugent, FSA, dated February 18, 2019.

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 3% of earnings in excess of \$6,000. For the year ended December 31, 2018, \$920,240 in payroll earnings were reported to and covered by the plan.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

The Town's contribution percentages were 7.09% for the period January 1, 2018 through June 30, 2018, and 7.29% for the period July 1, 2018 through December 31, 2018. The Town's contributions to the plan for the year ended December 31, 2018 totaled \$77,775 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, 2018, the Town's membership in this plan is comprised of 23 active employees that are non-vested.

Benefits Provided

The plan's benefit provisions are as follows:

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

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

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

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

Employer contributions – employer contributions are determined by the Board of Pension Trustees. Employer contributions were 7.29% and 7.09% of earnings for plan fiscal years 2019 and 2018, respectively.

Employee contributions – employees contribute 3% 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, 2018, the Town reported a liability of \$80,815 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. 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 (\$1,445,044) and its

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

proportionate share of the DPERS Employee Plan's fiduciary net position (\$1,364,229). At June 30, 2018, the Town's proportion of the collective net pension liability was 2.5681%.

As of December 31, 2018, \$66,774 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 \$14,041 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, 2018, the DPERS Employee Plan recognized a net negative pension expense of \$5,373. At December 31, 2018, 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	\$ 46,375	\$ 38,873
Difference between actual and expected investment returns	14,606	-
Changes of assumptions	-	46,138
Changes in proportions	52	26,091
Contributions made subsequent to the measurement date	-	39,843
	<u>\$ 61,033</u>	<u>\$ 150,945</u>

Deferred outflows resulting from the Town's contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ended December 31, 2019.

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

<u>Year Ending December 31,</u>	
2019	\$ 18,365
2020	11,832
2021	(5,367)
2022	2,456
2023	10,991
Thereafter	<u>11,792</u>
	<u>\$ 50,069</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

The following actuarial methods and assumptions were used in the June 30, 2017 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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

Asset Allocation and Long-term Expected Rate of Return

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

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 EMPLOYEES' PENSION PLANS (cont'd)

Category Allocation	Target Allocation	Long-term Expected Rate of Return
Domestic equity	30.7%	5.7%
International equity	13.9%	5.7%
Fixed income	23.3%	2.0%
Alternative investments	24.4%	7.8%
Cash and equivalents	7.7%	0.0%
	100.00%	

Discount Rate

The discount rate used to measure the Town's total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the DPERS Employee Pension Plan, calculated using the discount rate of 7.00%, 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%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (asset)	\$ 305,424	\$ 80,815	\$ (100,592)

Plan Fiduciary Net Position

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 NET PENSION LIABILITY AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

The Town's aggregate net pension liability and deferred inflows and outflows of resources are as follows:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Police (See note 12)	\$ 4,528,249	\$ 421,700	\$ -
DPERS Police (See note 12)	341,272	550,486	197,820
Employee (See note 13)	3,582,130	1,325,298	168,953
DPERS Employee (See note 13)	<u>80,815</u>	<u>150,945</u>	<u>61,033</u>
Total	<u>\$ 8,532,466</u>	<u>\$ 2,448,429</u>	<u>\$ 427,806</u>

NOTE 15 POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS

Plan Description

The Town's postemployment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Town administers healthcare benefits on a fully insured basis through participation in the State of Delaware Group Health Insurance Program. The Town Council has the authority to establish and amend benefit provisions through its personnel manual and union contracts. The plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the plan. 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.

Eligibility Requirement for Healthcare Benefits:

For full-time non-uniformed employees:

- Retirement at age 55 with 20 years of service.

For police officers:

- Retirement with 20 years of service or qualifying disability.

Duration of Healthcare Benefits:

Lifetime coverage for retirees and spouses. Surviving spouses are also covered.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS (cont'd)

Participant Contributions for Coverage:

For full-time non-uniformed employees:

- Retiree does not make a contribution toward the premium. Spouse and surviving spouse contribute the entire premium amount.

For police officers retiring prior to January 1, 2016:

- Retiree does not make a contribution toward the premium. Spouse contributes 15% of the premium. Surviving spouse contributes the entire premium amount.

For police officers retiring on or after January 1, 2016:

- 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 who participate in the Delaware County Municipal Police/Firefighter Plan.

To the extent that the County and Municipal Police and Firefighters' Pension Plan does not pay 80% of the cost of an individual retiree's health insurance premium, the Town will pay the additional amounts to ensure that 80% 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.

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

OPEB Plan Membership

Membership in the OPEB plan consisted of the following as of January 1, 2018:

	Non-Uniformed Employees	Police	Total
Active Employees	57	23	80
Retirees	5	8	13
Spouses of Retirees	0	3	3

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS (cont'd)

Funding Policy and Funding Status:

The contribution requirements of plan members are established and may be amended by the Town Council. The Town pays for OPEB benefits on a pay-as-you-go basis. Since the Town is not pre-funding these benefits, no actuarially determined contribution is determined.

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. Postemployment retirement benefits are recognized when paid. Estimated benefit payments for the year ended December 31, 2018 totaled \$183,000.

Actuarial Methods and Significant Assumptions:

Discount Rate: 3.44% per annum as of January 1, 2018 and 4.1% per annum as of December 31, 2018 based on the applicable Bond Buyer General Obligation 20-Bond Municipal Bond Index of 3.44% per annum as of December 31, 2017 and 4.10% per annum as of December 31, 2018.

Compensation Increases (Non-uniformed): 3.5% per year. Compensation is based on assumed inflation of 2.3% per year plus assumed productivity growth of 0.75% per year plus assumed merit increases of 0.45%

Compensation Increases (Police): Compensation is based on 3.0% wage inflation and reflects wage progression and longevity increases.

Health Cost Trend: The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 2018.1 utilizing the baseline assumptions included in the model. Adjustments are applied based on percentage of costs associated with administrative expenses, aging factors, potential excise taxes due to healthcare reform, and other healthcare reform provisions. For purposes of applying the Entry Age Normal cost method, the healthcare trend prior to the valuation date is based on the ultimate rate, which is 3.9% for costs prior to 65 and 4.0% of costs at age 65 and later.

Monthly Per Capita Claims Cost: Age adjustments are required for valuing healthcare benefits due to a change in actuarial standards. Age adjustments reflect that health costs are typically higher for retirees under age 65 than an average active population and upon reaching Medicare. Expected claim costs vary by age and gender.

Coverage Election Rates: 95% of current active members are assumed to elect coverage if age and service requirements are met at retirement. Of current active members who elect coverage at retirement, 60% are assumed to cover a spouse, with males three years older than females. Actual elections for current retirees are used.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS (cont'd)

Health Plan Election: It is assumed that all retirees electing coverage participate in the Comprehensive PPO Plan (pre-Medicare) and Medicfill with Prescription (post-Medicare). No turnover is assumed upon attainment of normal or early retirement eligibility for pension.

Mortality (Non-uniformed): RP-2000 Mortality Table projected on a generational basis using Scale AA with employee rates before termination and healthy annuitant rates after termination. As a generational table, it reflects mortality improvements both before and after the measurement date.

Mortality (Police): RP-2000 Healthy Combined Mortality Table projected on a generational basis using Scale AA. As a generational table, it reflects mortality improvements both before and after the measurement date.

Source of Non-economic Actuarial Assumptions: Actuarial assumptions are based on the actuary's judgement and continual review of plan experience.

Actuarial Cost Method

In accordance with GASB Statement No. 74 and No. 75, the Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

For determining the actuarial accrued liability, the employee's service as of the valuation date is the elapsed time from the provided date of hire with the Town to the valuation date.

OPEB Liability

The Town's OPEB liability has been measured as of December 31, 2018. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB Statement No. 74 and No. 75.

Balances as of December 31, 2017	\$ 9,443,245
Service cost	488,480
Interest on total OPEB liability	338,523
Effects of assumption change or inputs	(946,757)
Benefit payments	(183,491)
Net change	<u>(303,245)</u>
Balances as of December 31, 2018	<u>\$ 9,140,000</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS (cont'd)

Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the discount rate of 4.10%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.10%) or one percentage point higher (5.10%) than the current rate.

	1% Decrease 3.10%	Discount Rate 4.10%	1% Increase 5.10%
Total OPEB liability	\$ 10,628,055	\$ 9,140,000	\$ 7,926,000

The following presents the total OPEB liability of the Town, calculated using the current healthcare cost trend rates as well as what the Town's total OPEB liability would be if it were calculated using the trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 7,680,000	\$ 9,140,000	\$ 10,993,000

OPEB Expense and Deferred Inflows Related to OPEB

For the year ended December 31, 2018, the Town recognized OPEB expense of \$548,836. At December 31, 2018, the Town had deferred inflows of resources related to the OPEB plan from the following source:

	Deferred Inflows of Resources
Change in assumptions	\$ 852,081
	\$ 852,081

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS (cont'd)

Year Ending December 31,

2019	\$ 94,676
2020	94,676
2021	94,676
2022	94,676
2023	94,676
Thereafter	<u>378,701</u>
	<u>\$ 852,081</u>

NOTE 16 DEFERRED COMPENSATION PLAN

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

NOTE 17 POWER SALES CONTRACTS

The Town is a member of the Delaware Municipal Electric Corporation ("DEMEC"). DEMEC is a public corporation constituted as a joint action agency and a wholesale electric utility. DEMEC was established in 1979 and represents nine municipal electric distribution utilities located in the State of Delaware. DEMEC provides full requirements wholesale electric power supply service to seven of the nine members, including the Town, through the operation of owned generation assets and various contractual wholesale supply contracts with external parties.

Participating members purchase 100% 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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 POWER SALES CONTRACTS (cont'd)

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.

As of December 31, 2018, the Town has incurred costs of \$887,658 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20 UNEARNED REVENUES

The Town received an advance payment of impact fees totaling \$931,241 in the General Fund. As of December 31, 2018, only an amount totaling \$603,723 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$327,518 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 PRIOR PERIOD RESTATEMENT

In accordance with the adoption of GASB Statement No. 75, as discussed in Note 1, the Town has restated its December 31, 2017 net position in its governmental activities and business-type activities to record the net OPEB liability at December 31, 2017. The net result of this change is a decrease of \$1,359,646 in net position of its governmental activities and a decrease of \$212,957 in net position of its business-type activities.

NOTE 22 SUBSEQUENT EVENTS

The Town received a binding commitment letter dated April 11, 2019 from the Delaware Water Pollution Control Revolving Fund of the Delaware Department of Natural Resources and Environmental Control authorizing a loan to be used for the East Commerce Street Sewer Replacement Project. The loan will be used to replace the existing sewer mains between East Street and Fairfield Drive on East Commerce Street. The Department authorized this loan in April 2019 the amount of \$1,940,881 for a term of 20 years. The interest rate for the loan shall be 2.081%. There have been no disbursements of funds from this loan as of December 31, 2018.

The Town received a binding commitment letter dated June 14, 2019 from the Delaware Drinking Water State Revolving Fund of the Delaware Department of Natural Resources and Environmental Control authorizing a loan to be used for the East Commerce Street Water Main Replacement Project. The loan will be used to replace the failing and undersized water mains along East Commerce Street. The Department authorized this loan in June 2019 in the amount of \$1,826,703 for a term of 20 years. The interest rate for the loan shall be 1.843%. There have been no disbursements of funds from this loan as of December 31, 2018.

The Town has evaluated all subsequent events through July 8, 2019, 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

	FOR THE YEAR ENDING DECEMBER 31				
	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	\$ 109,465	\$ 104,549	\$ -	\$ 331,406	\$ 327,657
Interest on total pension liability	320,517	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	338,389	78,215	1,056	(498,285)	44,041
Effect of assumption changes or inputs	-	-	(387,469)	1,372,943	-
Benefit payments	(331,371)	(340,874)	(340,874)	(338,363)	(359,975)
Net change in total pension liability	<u>437,000</u>	<u>155,000</u>	<u>722,000</u>	<u>(3,616,000)</u>	<u>580,701</u>
Total pension liability, beginning	7,177,000	7,022,000	6,300,000	9,916,000	9,335,299
Total pension liability, ending (a)	<u>\$ 7,614,000</u>	<u>\$ 7,177,000</u>	<u>\$ 7,022,000</u>	<u>\$ 6,300,000</u>	<u>\$ 9,916,000</u>
FIDUCIARY NET POSITION					
Employer contributions	\$ -	\$ -	\$ 49,032	\$ 480,531	\$ 743,174
Member contributions	22,802	22,704	-	102,816	94,055
Investment income (loss) net of investment expenses	53,996	73,563	56,627	(80,992)	163,108
Transfer from DPERS	27,589	53,844	999,844	-	-
Transfer to DPERS	-	-	(176,534)	(4,522,594)	-
Benefit payments	(331,371)	(340,874)	(340,874)	(338,363)	(359,975)
Administrative expenses	(2,060)	(1,944)	(1,866)	(1,728)	(5,035)
Net change in fiduciary net position	<u>(229,044)</u>	<u>(192,707)</u>	<u>586,229</u>	<u>(4,360,330)</u>	<u>635,327</u>
Fiduciary net position, beginning	3,314,795	3,507,502	2,921,273	7,281,603	6,646,276
Fiduciary net position, ending (b)	<u>\$ 3,085,751</u>	<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>\$ 4,528,249</u>	<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	40.53%	46.19%	49.95%	46.37%	73.43%
Covered payroll	\$ 334,369	\$ 320,586	\$ 315,474	N/A	\$ 1,381,065
Net pension liability as a percentage of covered payroll	1,354.27%	1,204.73%	1,114.04%	N/A	190.75%
Annual money-weighted return, net of investment expenses	1.72%	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

	FOR THE YEAR ENDING DECEMBER 31,			
	2018	2017	2016	2015
TOTAL PENSION LIABILITY				
Service cost	\$ 270,693	\$ 294,515	\$ 275,113	\$ 291,036
Interest on total pension liability	594,895	582,060	564,540	530,764
Effect of economic/demographic (gain) or loss	248,783	(250,777)	135,050	163,217
Effect of assumption changes or inputs	-	-	1,032,549	(81,634)
Benefit payments	(363,371)	(351,798)	(345,252)	(304,383)
Net change in total pension liability	751,000	274,000	1,662,000	599,000
Total pension liability, beginning	11,240,000	10,966,000	9,304,000	8,705,000
Total pension liability, ending (a)	<u>\$11,991,000</u>	<u>\$11,240,000</u>	<u>\$10,966,000</u>	<u>\$ 9,304,000</u>
FIDUCIARY NET POSITION				
Employer contributions	\$ 279,021	\$ 139,510	\$ 136,425	\$ 305,054
Member contributions	46,479	49,954	52,423	56,961
Investment income (loss) net of investment expenses	(194,613)	670,461	320,021	(163,460)
Benefit payments	(363,371)	(351,798)	(345,252)	(304,383)
Administrative expenses	(2,723)	(2,510)	(2,456)	(1,949)
Net change in fiduciary net position	<u>(235,207)</u>	<u>505,617</u>	<u>161,161</u>	<u>(107,777)</u>
Fiduciary net position, beginning	8,644,077	8,138,460	7,977,299	8,085,076
Fiduciary net position, ending (b)	<u>\$ 8,408,870</u>	<u>\$ 8,644,077</u>	<u>\$ 8,138,460</u>	<u>\$ 7,977,299</u>
Net pension liability [(a) - (b)]	<u>\$ 3,582,130</u>	<u>\$ 2,595,923</u>	<u>\$ 2,827,540</u>	<u>\$ 1,326,701</u>
Plan fiduciary net position as a percentage of the total pension liability	70.13%	76.90%	74.22%	85.74%
Covered payroll	\$ 2,027,560	\$ 2,058,343	\$ 2,293,689	\$ 2,367,385
Net pension liability as a percentage of covered payroll	176.67%	126.12%	123.27%	56.04%
Annual money-weighted return, net of investment expenses	-2.26%	8.37%	4.07%	-2.02%

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, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Town's proportionate share of the net pension liability	1.48%	1.76%	1.00%
Town's proportion of the net pension liability - dollar value	\$ 341,272	\$ 177,377	\$ 158,206
Covered payroll	\$ 1,230,633	\$ 1,445,647	\$ 725,116
Town's proportionate share of the net pension liability as a percentage of its covered payroll	27.73%	12.27%	21.82%
Plan fiduciary net position as a percentage of the total pension liability	94.10%	97.00%	94.70%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Town's proportionate share of the net pension liability	2.57%	2.57%	2.01%
Town's proportion of the net pension liability - dollar value	\$ 80,815	\$ 166,558	\$ 124,341
Covered payroll	\$ 931,631	\$ 928,386	\$ 537,427
Town's proportionate share of the net pension liability as a percentage of its covered payroll	8.67%	17.94%	23.14%
Plan fiduciary net position as a percentage of the total pension liability	94.41%	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

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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%
2018	710,828	-	710,828	334,369	0.00%

Notes to Schedule

Valuation date: January 1, 2018

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

Amortization method: Level Dollar Amortization

Remaining amortization period: 8 years

Amortization period: Closed

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

Actuarial assumptions:

- Investment rate of return: 4.50%
- Discount rate: 4.50%
- Projected salary increases: Based on years of service
- Cost of living adjustments: N/A
- Mortality: RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA.

The Combined Employee table is used for pre-retirement.

TOWN OF SMYRNA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - EMPLOYEE PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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%
2018	616,041	279,021	337,020	2,027,560	13.76%

Notes to Schedule

Valuation date: January 1, 2018
Actuarial cost method: Entry Age Normal (GASB Statement No. 67 version)
Amortization method: Level Dollar Amortization
Remaining amortization period: 8 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>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Contractually required contribution	\$ 173,357	\$ 161,375	\$ 207,487
Contributions in relation to the contractually required contribution	<u>173,357</u>	<u>161,375</u>	<u>207,487</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,235,825	\$ 1,275,598	\$ 1,700,501
Contributions as a percentage of covered payroll	14.03%	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
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
REVENUES						
Intergovernmental	\$ 222,631	\$ 5,759	\$ 4,189	\$ 25,205	\$ 10,950	\$ 268,734
Investment income	2,895	-	-	-	-	2,895
TOTAL REVENUES	<u>225,526</u>	<u>5,759</u>	<u>4,189</u>	<u>25,205</u>	<u>10,950</u>	<u>271,629</u>
EXPENDITURES						
Current:						
Public safety - police	-	5,759	2,044	12,491	120	20,414
Public works	3,036	-	-	-	-	3,036
TOTAL EXPENDITURES	<u>3,036</u>	<u>5,759</u>	<u>2,044</u>	<u>12,491</u>	<u>120</u>	<u>23,450</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>222,490</u>	<u>-</u>	<u>2,145</u>	<u>12,714</u>	<u>10,830</u>	<u>248,179</u>
NET CHANGES IN FUND BALANCE	222,490	-	2,145	12,714	10,830	248,179
FUND BALANCES, BEGINNING OF YEAR	<u>247,507</u>	<u>5,307</u>	<u>1,804</u>	<u>26,677</u>	<u>23,255</u>	<u>304,550</u>
FUND BALANCES, END OF YEAR	<u>\$ 469,997</u>	<u>\$ 5,307</u>	<u>\$ 3,949</u>	<u>\$ 39,391</u>	<u>\$ 34,085</u>	<u>\$ 552,729</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2018
(With Summarized Comparative Data for December 31, 2017)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			2018	2017
ASSETS				
Cash and cash equivalents	\$ 905,113	\$ 145,257	\$ 1,050,370	\$ 1,279,547
Contribution receivable	50,293	-	50,293	72,658
Interest receivable	4	27,401	27,405	25,489
Prepaid expense	19,813	28,858	48,671	46,699
Investments at fair value:				
Equities	-	1,040,756	1,040,756	1,168,017
Mutual funds	89,829	1,240,653	1,330,482	2,009,015
Fixed income	-	4,274,459	4,274,459	3,642,926
Exchange-traded funds	95,668	-	95,668	118,271
Insurance contracts	1,948,173	1,674,037	3,622,210	3,629,094
TOTAL ASSETS	<u>\$ 3,108,893</u>	<u>\$ 8,431,421</u>	<u>\$11,540,314</u>	<u>\$11,991,716</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 23,142	\$ 22,551	\$ 45,693	\$ 32,844
NET POSITION				
Net position restricted for pensions	<u>3,085,751</u>	<u>8,408,870</u>	<u>11,494,621</u>	<u>11,958,872</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,108,893</u>	<u>\$ 8,431,421</u>	<u>\$11,540,314</u>	<u>\$11,991,716</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Summarized Comparative Data for the Year Ended December 31, 2017)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			2018	2017
ADDITIONS				
Contributions:				
Employer contributions	\$ -	\$ 279,021	\$ 279,021	\$ 139,510
Employee contributions	22,802	46,479	69,281	72,658
Returned member plan assets	27,589	-	27,589	53,844
Total Contributions	<u>50,391</u>	<u>325,500</u>	<u>375,891</u>	<u>266,012</u>
Investment Income (Loss):				
Interest and dividends	96,034	310,554	406,588	355,769
Net appreciation (depreciation) in fair value of investments	(14,605)	(403,462)	(418,067)	514,097
Total Investment Income (Loss)	<u>81,429</u>	<u>(92,908)</u>	<u>(11,479)</u>	<u>869,866</u>
Less investment expense	27,433	101,705	129,138	125,842
Net Investment Income (Loss)	<u>53,996</u>	<u>(194,613)</u>	<u>(140,617)</u>	<u>744,024</u>
TOTAL ADDITIONS	<u>104,387</u>	<u>130,887</u>	<u>235,274</u>	<u>1,010,036</u>
DEDUCTIONS				
Benefits paid	331,371	363,371	694,742	692,672
Administrative expenses	2,060	2,723	4,783	4,454
TOTAL DEDUCTIONS	<u>333,431</u>	<u>366,094</u>	<u>699,525</u>	<u>697,126</u>
NET INCREASE (DECREASE) IN NET POSITION	(229,044)	(235,207)	(464,251)	312,910
NET POSITION RESTRICTED FOR PENSIONS				
Beginning of year	<u>3,314,795</u>	<u>8,644,077</u>	<u>11,958,872</u>	<u>11,645,962</u>
End of year	<u>\$ 3,085,751</u>	<u>\$ 8,408,870</u>	<u>\$11,494,621</u>	<u>\$11,958,872</u>



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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities										
General government	\$ 1,352,992	\$ 1,173,230	\$ 1,280,321	\$ 1,443,523	\$ 894,143	\$ 916,169	\$ 819,583	\$ 979,679	\$ 639,478	\$ 991,556
Public safety	4,782,232	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
Public works	3,396,242	3,406,500	3,149,760	2,979,424	3,184,907	3,164,500	3,377,238	2,824,054	2,529,000	2,396,831
Planning and inspection	1,036,302	869,710	749,516	633,705	643,618	615,649	686,349	766,442	702,608	674,914
Library	331,280	388,834	376,293	341,392	381,152	341,844	339,695	292,287	245,271	290,558
Culture and recreation	398,277	421,795	407,472	355,338	387,046	312,689	276,295	206,521	325,927	308,638
Business park	-	-	-	-	-	-	-	10,360	11,155	11,370
Neighbourhood housing rehabilitation	-	-	-	-	427	335	568	-	-	1,592
Interest on long-term debt	335,916	102,691	174,959	136,471	116,385	114,366	114,348	215,866	143,016	147,638
Total governmental activities	11,633,241	10,657,622	10,396,770	11,024,929	10,655,883	10,356,950	10,011,209	9,421,626	8,770,069	8,723,743
Business-type activities										
Electric	12,449,349	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
Water/Sewer	4,447,239	4,063,743	4,063,515	3,664,416	3,375,782	3,395,598	2,985,988	2,879,104	2,918,014	2,687,910
Smyrna slum clearance and redevelopment authority	27,896	87,231	10,375	12,669	-	-	-	-	-	-
Total business-type activities	16,924,484	16,590,818	16,954,699	16,004,709	15,350,686	14,868,191	15,013,778	15,547,787	15,613,773	14,193,691
Total primary government expenses	\$ 28,557,725	\$ 27,248,440	\$ 27,351,469	\$ 27,029,638	\$ 26,016,569	\$ 25,225,141	\$ 25,024,987	\$ 24,969,413	\$ 24,383,842	\$ 22,917,434
Program Revenues										
Governmental activities										
Charges for services	\$ 671,626	\$ 553,280	\$ 574,466	\$ 183,294	\$ 323,364	\$ 273,283	\$ 242,335	\$ 213,500	\$ 312,924	\$ 495,144
General government	109,195	127,874	129,685	131,790	131,470	156,739	151,054	118,042	95,411	98,743
Public safety	1,488,746	1,439,446	1,397,513	1,354,741	1,323,104	1,260,599	1,163,188	1,138,606	1,065,489	943,340
Public works	607,274	429,913	404,847	320,600	479,485	369,639	474,028	323,075	389,704	507,841
Planning and inspection	83,226	133,556	109,407	87,261	136,257	102,163	96,451	81,233	95,837	64,292
Library	678,680	676,609	642,231	690,509	593,961	480,870	587,195	734,687	542,594	400,186
Operating grants and contributions	368,010	143,091	138,995	1,158,725	-	472,216	2,159,991	732,075	107,875	1,145,990
Capital grants and contributions	4,006,757	3,503,769	3,397,144	3,926,920	2,987,041	3,115,509	4,874,242	3,341,218	2,609,834	3,655,536
Total governmental activities	13,752,420	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
Business-type activities	4,052,266	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
Electric	17,933	40,248	35,163	38,601	-	-	-	-	-	-
Water/Sewer	49,054	54,227	-	300,000	-	-	11,932	21,365	-	-
Smyrna slum clearance and redevelopment authority	698,455	262,637	115,974	1,309,807	208,102	3,122,453	2,784,485	1,618,655	600,108	1,657,139
Operating grants and contributions	18,570,128	18,047,710	18,420,983	19,372,055	17,058,663	19,138,010	19,567,918	18,985,040	17,885,188	17,927,287
Capital grants and contributions	22,576,885	21,551,479	21,818,127	23,298,975	20,045,724	22,253,519	24,442,160	22,326,258	20,495,022	21,562,823
Total business-type activities	22,576,885	21,551,479	21,818,127	23,298,975	20,045,724	22,253,519	24,442,160	22,326,258	20,495,022	21,562,823
Total primary government program revenues	\$ 22,576,885	\$ 21,551,479	\$ 21,818,127	\$ 23,298,975	\$ 20,045,724	\$ 22,253,519	\$ 24,442,160	\$ 22,326,258	\$ 20,495,022	\$ 21,562,823
Net (expense)/revenue	\$ (7,626,484)	\$ (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)
Governmental activities	1,645,644	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
Business-type activities	(5,980,840)	(5,696,961)	(5,533,342)	(3,730,663)	(5,970,845)	(2,971,622)	(3,622,827)	(2,643,155)	(3,888,820)	(1,334,611)
Total primary government net expense	\$ (4,335,196)	\$ (4,240,069)	\$ (4,067,058)	\$ (3,403,317)	\$ (4,262,848)	\$ (3,001,823)	\$ (1,068,727)	\$ (2,643,155)	\$ (1,617,405)	\$ (1,630,615)

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

Continued on next page

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenues and Other Changes in Net Position										
Governmental activities										
Real estate taxes	\$ 3,750,986	\$ 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
Real estate transfer taxes	1,367,617	1,239,454	928,231	844,960	619,310	417,320	512,265	361,336	561,542	669,914
Franchise fees	203,907	199,920	191,544	187,919	181,844	169,336	193,997	146,203	143,993	132,249
Investment earnings	52,138	29,436	20,335	4,054	13,341	24,717	14,490	5,827	11,037	56,471
Net gain (loss) on sale of capital assets	-	12,711	-	-	-	-	-	-	-	-
Miscellaneous income	38,312	49,727	49,223	23,349	46,346	16,699	174,438	117,937	193,559	167,996
Transfers	1,227,839	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
Total governmental activities	6,640,799	6,128,984	5,664,795	5,850,188	5,649,310	5,421,843	5,868,760	4,733,068	4,266,361	4,217,231
Business-type activities										
Investment earnings	9	127	100	107	154	546	148	140	121	479
Net gain on sale of capital assets	-	-	-	-	233,575	-	-	-	-	-
Transfers	(1,227,839)	(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)
Total business-type activities	(1,227,830)	(1,050,082)	(1,018,949)	(1,342,255)	(1,614,419)	(2,189,343)	(2,625,660)	(2,086,581)	(1,281,642)	(1,256,798)
Total primary government	\$ 5,412,969	\$ 5,078,902	\$ 4,645,846	\$ 4,507,933	\$ 4,034,891	\$ 3,232,500	\$ 3,243,100	\$ 2,646,487	\$ 2,984,719	\$ 2,960,433
Change in Net Position										
Governmental activities	\$ (965,685)	\$ (1,024,859)	\$ (1,334,831)	\$ (1,247,821)	\$ (2,029,532)	\$ (1,819,598)	\$ 731,793	\$ (1,347,340)	\$ (1,893,874)	\$ (850,876)
Business-type activities	417,814	406,810	447,335	2,025,091	93,578	2,080,476	1,928,480	1,350,672	989,773	2,476,798
Total primary government	\$ (567,871)	\$ (618,049)	\$ (887,496)	\$ 777,270	\$ (1,935,954)	\$ 260,878	\$ 2,660,273	\$ 3,332	\$ (904,101)	\$ 1,625,822

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Nonspendable	\$ 23,439	\$ 79,214	\$ 88,594	\$ 86,086	\$ 91,477	\$ 85,899	\$ 83,944	\$ 82,451	\$ 203,748	\$ -
Committed	1,990,952	1,990,952	1,990,952	2,341,229	2,341,229	-	-	-	-	-
Unassigned (deficit)	206,568	(41,906)	(53,232)	(310,317)	85,949	268,432	506,330	727,425	463,775	444,959
Total general fund	<u>\$ 2,220,959</u>	<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>
All other governmental funds										
Committed	\$ 822,837	\$ 764,997	\$ 502,055	\$ 1,017,678	\$ 943,576	\$ 3,257,475	\$ 2,927,248	\$ 2,177,953	\$ 2,602,230	\$ 3,891,067
Restricted	552,729	304,550	320,204	147,638	161,635	215,784	380,945	618,314	482,588	322,529
Total all other governmental funds	<u>\$ 1,375,566</u>	<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>
Total governmental fund balances	<u>\$ 3,596,525</u>	<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>

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Property taxes	\$ 3,714,507	\$ 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
Transfer taxes	1,367,617	1,239,454	928,231	844,960	619,310	417,320	512,265	361,336	561,542	669,914
Special assessment/impact fees	547,048	422,657	476,427	138,463	294,875	244,709	207,348	182,977	286,527	470,676
Charges for services	1,533,720	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
Intergovernmental	759,202	839,307	815,668	728,779	679,029	1,022,750	873,207	819,827	716,691	1,547,005
Licenses, fees, and permits	429,001	355,821	337,686	334,700	378,076	382,599	336,364	269,741	377,760	421,777
Fines and forfeits	253,750	144,507	123,931	44,542	142,462	123,365	214,892	130,298	87,287	62,553
Franchise fees	203,907	199,919	191,544	187,919	181,844	169,336	193,997	146,203	143,993	132,249
Investment income	52,138	29,435	20,335	4,054	13,341	24,717	14,490	5,827	11,037	56,471
Rental income	155,285	211,293	157,360	104,687	153,783	100,844	276,449	185,096	243,616	183,538
Miscellaneous	9,108,227	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
Total revenues										
Expenditures										
General government	1,136,187	927,507	1,087,840	1,228,783	632,914	706,987	616,650	747,625	545,586	609,219
Public safety	3,930,809	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
Public works	2,446,401	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
Planning and inspection	950,659	799,665	738,930	577,503	572,085	555,314	633,328	730,730	695,978	631,693
Library	281,216	331,875	319,931	309,270	341,625	295,043	305,978	264,527	234,277	261,747
Culture and recreation	341,730	419,075	336,324	300,727	352,336	304,463	240,646	176,990	313,769	276,030
Business park	-	-	-	-	-	-	-	10,360	11,155	11,370
Neighborhood housing rehabilitation	-	-	-	-	427	335	568	-	-	1,592
Debt service:										
Principal	403,044	326,558	4,156,308	154,587	129,000	126,850	122,550	18,640	111,549	106,904
Interest	329,643	102,887	175,064	136,394	116,294	114,261	114,214	88,146	143,232	147,877
Bond issuance costs	-	-	-	-	-	-	-	66,515	-	-
Capital outlay	330,467	103,240	1,568,041	2,683,063	955,183	474,378	416,257	80,925	303,907	4,047,151
Total expenditures	10,150,156	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
Excess of revenues over (under) expenditures	(1,041,929)	(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)
Other financing sources (uses)										
Issuance of debt	312,808	113,591	-	66,405	-	-	-	-	-	-
Loan issuance	-	-	4,920,385	2,679,987	890,009	409,619	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	3,275,000	-	-
Bond discount	-	-	-	-	-	-	-	(46,993)	-	-
Prepayment of note	-	-	-	-	-	-	-	(3,059,986)	-	-
Refund of prior year expenditures	-	-	-	-	-	-	-	-	-	22,399
Transfers in	1,227,839	1,062,896	3,235,283	2,263,353	4,345,977	2,961,419	3,042,322	2,498,977	2,414,739	2,378,177
Transfers out	-	(32,687)	(2,216,234)	(920,991)	(2,497,829)	(771,530)	(416,514)	(412,256)	(1,132,976)	(1,120,900)
Total other financing sources (uses)	1,540,647	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
Net Change in fund balances	\$ 498,718	\$ 249,234	\$ (433,741)	\$ (341,552)	\$ 181,707	\$ (70,877)	\$ 292,324	\$ (146,198)	\$ (906,214)	\$ (3,214,901)
Debt service as a percentage of noncapital expenditures	8%	5%	34%	4%	3%	3%	3%	1%	3%	4%

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>
2018	3,714,507	1,367,617	5,082,124
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

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		Estimated Actual Value
			Total Taxable Assessed Value	Total Direct Tax Rate	
2018	1,070,841,344	129,936,375	940,904,969	0.42000	*
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	*

* 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	Total Direct Rates	Overlapping Governments			
			Kent County	New Castle County	Smyrna School District-New Castle County	Smyrna School District-Kent County
2018	0.42000	0.42000	0.30000	0.80570	1.37800	1.73170
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

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 Nine Years Ago
Unaudited

Taxpayer	2018			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	\$ 40,000,000	1	4.25%	\$ 49,683,100	1	6.14%
Sunnyside Apartments	20,148,800	2	2.14%	**		**
Smyrna Professional Properties	18,239,100	3	1.94%	19,341,000	4	2.39%
Worthington Properties, LLC	18,221,600	4	1.94%	24,701,000	2	3.05%
Smyrna Two LLC	14,487,500	5	1.54%	11,808,800	7	1.46%
Liborio III, LP	13,693,866	6	1.46%	22,780,400	3	2.81%
Glenwood Associates, LLC	11,725,300	7	1.25%	11,720,300	8	1.45%
Goldsborough Rd Dev LLC	7,023,790	8	0.75%	**		**
KRM Development Corp	6,889,500	9	0.73%	**		**
Target Investments, L.P.	6,822,700	10	0.73%	**		**
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%
Total	\$ 157,252,156		16.71%	\$ 188,458,100		23.28%

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>
2018	\$ 3,956,256	\$ 3,788,791	95.77%	\$ -	\$ 3,788,791	95.77%
2017	3,723,797	3,550,507	95.35%	129,840	3,680,347	98.83%
2016	3,641,735	3,523,608	96.76%	86,707	3,610,315	99.14%
2015	3,605,194	3,515,327	97.51%	59,902	3,575,229	99.17%
2014	3,167,387	3,001,773	94.77%	156,472	3,158,245	99.71%
2013	2,753,382	2,595,641	94.27%	111,426	2,707,067	98.32%
2012	2,474,313	2,356,151	95.22%	107,954	2,464,105	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%	81,543	2,101,560	100.00%
2009	2,083,419	1,878,779	90.18%	184,526	2,063,305	99.03%

(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				
2018	\$ 4,692,080	\$ 206,326	\$ 2,350,500	\$ 11,229,968	\$ 3,214,500	\$ 7,591	\$ 21,700,965	0.30%	1,821		
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		

(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						
2018	\$	2,350,500	\$	3,214,500	\$ 5,565,000	0.59%	\$ 467
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%	-

(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, 2018
Unaudited

	General Obligation Debt Outstanding	Estimated Percentage Applicable to Town of Smyrna	Estimated Share of Overlapping Debt
Direct debt			
Bonds payable	\$ 2,350,500	100.00%	\$ 2,350,500
Capital lease payable	206,326	100.00%	206,326
Loans payable	<u>4,692,080</u>	100.00%	<u>4,692,080</u>
Total direct debt	<u>7,248,906</u>		<u>7,248,906</u>
Overlapping debt (1)			
Kent County	8,075,946	81.00%	6,541,516
New Castle County	166,361,578	19.00%	31,608,700
Smyrna School District	<u>19,178,995</u>	88.19%	<u>16,914,506</u>
Total overlapping debt	<u>193,616,519</u>		<u>55,064,722</u>
Total direct and overlapping debt	<u><u>\$ 200,865,425</u></u>		<u><u>\$ 62,313,628</u></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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt limit	\$ 42,341	\$ 41,849	\$ 40,966	\$ 40,519	\$ 39,530	\$ 39,437	\$ 38,376	38,358	37,603	\$ 36,435
Total net debt applicable to limit	<u>21,701</u>	<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>
Legal debt margin	<u>\$ 20,640</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	51.25%	54.30%	58.76%	52.91%	46.83%	39.83%	37.38%	35.70%	29.94%	28.48%
Total taxable assessment	\$ 940,905									
Debt limit percentage (1)	<u>4.50%</u>									
Debt limit	42,341									
Outstanding Debt	<u>21,701</u>									
Legal debt margin	<u>\$ 20,640</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 Nine Years Ago
Unaudited

Industry	2018			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%
Total	2,696		100.00%	2,583		100.00%

* 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, 2018

Unaudited

Customer	Water Consumption (Tgal)	% of Total Consumption	Revenue Billed	% of Total Revenue
Delaware Home & Hospital	17,133	6.4%	\$ 90,853	6.9%
Lenape Properties Management	12,021	4.5%	66,316	5.0%
Smyrna School District	6,483	2.4%	35,486	2.7%
Walmart	4,929	1.8%	26,919	2.0%
DEMEC	3,705	1.4%	22,872	1.7%
Division of Public Health	3,070	1.2%	16,444	1.2%
Fresenius Medical Care	2,336	0.9%	12,425	0.9%
Surya Hospitality Mgmt LLC	1,514	0.6%	7,996	0.6%
DSC Laundries LLC	1,223	0.5%	6,697	0.5%
Smyrna Diner	1,087	0.4%	6,936	0.5%
Totals for Top 10 Customers	53,501	20.1%	292,944	22.2%
All Other	213,279	79.9%	1,025,877	77.8%
Total for System	266,780	100.0%	\$ 1,318,821	100.0%

Customer	Wastewater Consumption (Tgal)	% of Total Consumption	Revenue Billed	% of Total Revenue
Delaware Home & Hospital	17,133	6.4%	\$ 124,865	5.7%
Lenape Properties Management	12,021	4.5%	133,209	6.1%
Smyrna School District	6,483	2.4%	38,615	1.8%
Walmart	4,929	1.8%	40,369	1.9%
Division of Public Health	3,070	1.2%	6,506	0.3%
Fresenius Medical Care	2,336	0.9%	18,601	0.9%
Surya Hospitality Mgmt LLC	1,514	0.6%	11,951	0.5%
DSC Laundries LLC	1,223	0.5%	10,000	0.5%
Smyrna Diner	1,087	0.4%	8,542	0.4%
Betsy Ross Pizza	828	0.3%	6,757	0.3%
Totals for Top 10 Customers	50,624	19.0%	399,415	18.4%
All Other	216,156	81.0%	1,775,840	81.6%
Total for System	266,780	100.0%	\$ 2,175,255	100.0%

TOWN OF SMYRNA**TOP 10 ELECTRIC UTILITY CUSTOMERS***For the year ended December 31, 2018**Unaudited*

Customer	Kwh	% of Total Kwh	Revenue Billed	% of Total Revenue
Walmart	15,325,917	13.1%	\$ 1,108,145	8.28%
Smyrna School District	9,003,480	7.7%	935,428	6.99%
Delaware Home & Hospital	4,984,800	4.3%	425,383	3.18%
Albertson Inc	3,437,200	2.9%	276,300	2.07%
Smyrna Health/Wellness Center	3,105,840	2.7%	274,965	2.06%
Division of Public Health	2,753,920	2.4%	183,394	1.37%
Food Lion	2,493,920	2.1%	144,282	1.08%
Bayhealth Medical Center	1,293,180	1.1%	135,302	1.01%
Verizon Communications	885,920	0.8%	85,192	0.64%
Wawa	741,900	0.6%	73,850	0.55%
Totals for Top 10 Customers	44,026,077	37.7%	3,642,241	27.22%
All Others	72,655,199	62.3%	9,737,826	72.8%
Total for System	116,681,276	100.0%	\$ 13,380,067	100.0%

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>
2018	11,914	7,126,715,000	40,304	3.10%	5,691
2017	11,513	7,126,715,000	40,304	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

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 2017 personal income and per capita personal income information for both 2017 and 2018 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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government - Administration	14.00	16.00	16.00	17.00	16.00	16.00	14.00	14.00	14.00	14.00
Public Safety - Police	31.00	30.00	28.00	29.00	29.00	28.00	30.00	29.00	29.00	29.00
Public Works	12.00	12.00	15.00	12.00	13.00	13.00	12.00	12.00	11.00	11.00
Planning and Inspection	6.00	6.00	6.00	6.00	6.00	6.00	6.00	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	2.00	4.00	5.00	3.00	3.00	2.00	2.00	1.00	1.00	3.00
General Fund Total	66.00	69.00	71.00	68.00	68.00	66.00	65.00	64.00	63.00	65.00
Public Utilities	9.00	10.00	10.00	7.00	8.00	8.00	8.00	8.00	9.00	9.00
Electric Fund Total	9.00	10.00	10.00	7.00	8.00	8.00	8.00	8.00	9.00	9.00
Public Utilities	4.00	5.00	5.00	4.00	3.00	4.00	4.00	4.00	4.00	4.00
Water and Sewer Fund Total	4.00	5.00	4.00	4.00	3.00	4.00	4.00	4.00	4.00	4.00
Total Staff	79.00	84.00	85.00	79.00	79.00	78.00	77.00	76.00	76.00	78.00

TOWN OF SMYRNA

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

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Calls for service	17,520	17,071	16,036	18,431	16,810	19,743	21,079	21,383	16,952	20,087
Criminal arrests	791	1,009	957	943	1,065	712	523	1,572	2,318	1,700
DUI arrests	60	64	49	68	81	98	110	96	70	122
Traffic warnings	1,555	1,143	557	1,004	1,321	2,447	2,433	2,503	1,707	2,012
Traffic arrests	2,485	2,697	2,285	2,211	2,670	3,747	4,240	3,084	3,084	3,286
Planning and Inspection										
Total fees collected for construction (1)	\$ 1,612,366	\$ 1,120,034	\$ 1,143,456	\$ 882,547	\$ 900,689	\$ 704,287	\$ 695,521	\$ 490,514	\$ 1,018,701	\$ 1,377,629
Construction inspections (2)	2,418	2,172	1,831	1,085	820	801	728	703	1,156	1,469
Building permits issued	549	523	642	389	272	312	324	341	497	582
Public Library										
Total number of registered borrowers	9,405	8,610	8,922	8,434	7,687	7,723	8,303	7,617	17,832	9,376
Attendance per year	76,230	82,448	89,704	88,025	84,713	87,432	89,411	82,987	81,722	82,127
Total book circulation	84,541	87,082	100,643	116,193	95,599	90,183	90,148	73,823	66,111	58,934
E books circulation	6,652	5,790	4,909	6,096	-	-	-	-	-	-
Electronic materials	10,858	8,398	17,538	8,496	-	-	-	-	-	-
Number of books	22,740	22,740	23,422	24,312	21,824	23,843	23,751	21,566	26,254	22,149
Water utility										
Gallons used	266,780,000	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
Connections	5,264	5,088	4,938	4,822	4,755	4,671	4,305	3,789	3,789	3,789
Electric utility										
Usage Sales (kwh)	110,818,922	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
Culture and recreation										
Major Parks	2	2	2	2	2	2	2	2	2	2
Small Parks	3	3	3	3	3	3	3	3	3	3

Source: Town Records

(1) Fees include permit, certificate of occupancy and impact fees.

(2) Construction permits are based on the average number of inspections required for each type of construction.

(3) All available operating indicators have been presented.

TOWN OF SMYRNA
CAPITAL ASSET INFORMATION

TOWN SERVICE BUILDINGS	ACQUISITION DATE/ADDITIONS/ RENOVATIONS
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
Town of Smyrna Planning and Inspection 22 South Main Street Smyrna DE, 19977	2018

Source: Town records





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

July 8, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 8, 2019.

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.

To the Honorable Mayor and Town Council
Town of Smyrna

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.

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

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.



