

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

**TOWN OF SMYRNA
SMYRNA, DELAWARE
KENT COUNTY**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

PREPARED BY:

**GARY F. STULIR, MANAGER ACCOUNTING & BUSINESS
SERVICES**

BUSINESS OFFICE STAFF



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

October 14, 2020

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

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Town of Smyrna. This report is for the fiscal year ended December 31, 2019. This report is published to comply with the provisions of Section 8.4 of the Town Code. The Comprehensive Annual Financial Report (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 Belfint, Lyons and Shuman an independent firm of certified public accountants as required by section 8.4 of the Town Code. Belfint, Lyons and Shuman has provided an unmodified opinion on the Town's financial statements for the year ended December 31, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

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

Profile of the Town

This CAFR includes all funds of the Town, consistent with the guidance contained in GASB 14, “*The Financial Reporting Entity*”, as amended by GASB 39 and GASB 61, “*The Financial Reporting Entity: Omnibus*,” which established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used by the Town to evaluate whether additional entities should be included in the Town’s reporting entity as component units are financial interdependencies, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships.

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

The Town of Smyrna was incorporated in 1817, under the provisions of the State of Delaware. The town’s strategic location in the northeast, in addition to its location 12 miles north of the State Capital of Dover, and 30 miles south of the major business center of Newark and Wilmington, makes it a competitive location for business. Smyrna’s historic small town atmosphere and its great pride in its quality of life and educational system make it highly desirable for families and homeowners. 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 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 5 square miles and serves a population of approximately 12,401 as of December 2019. This is a 23% increase from the year 2010 census count that placed the town’s population count at 10,023. Smyrna is now Delaware’s fifth largest municipality moving ahead of Milford and Seaford in the past decade. Recent demographic data shows growth in both young families and in residents 55+, increasing personal incomes, and a consistently high home ownership rate.

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

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

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

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

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

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 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 K-9 unit, School Resource Officer, DARE Officer, Special Investigation Unit, Tactical Team, Motorcycle Patrol Unit and Bicycle Patrol Unit.

The Public Works Department located at 220 Artisan Drive handles electric service, trash service, streets and parks maintenance, fleet management and water treatment and distribution, and sewer service (collection and conveyance only; treatment is provided by Kent County). Trash is contracted with a private company but billing is handled through the Town.

The Smyrna Public Library, the oldest library in Kent County, first established in 1858 and recently celebrating its 155th anniversary, is located in the historic Smyrna Opera House and is located at 107 South Main Street. It is open to the public 6 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.

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

The unemployment rate at December 2019 within Kent County was reported at 3.8 percent as compared to 3.1 percent in the prior year.

While new construction continued during the fiscal year, construction fees received increased by less than one percentage point. The town issued approximately 630 building permits with a construction value of approximately \$22.8 million.

Smyrna continues to get noticed. We have seen an uptick in economic development activities, media attention and tourism. We believe these reflect the town's deliberate and collaborative business development efforts, supported by sound fiscal policies and continued infrastructure investments. Articles started to appear in the Wilmington News Journal in 2015 & 2016 claiming Smyrna is becoming "cool" as a result of growth in the food, beverage and entertainment sectors. This trend as seen in 2018 with a Delaware Business Times article entitled, "New restaurants and retail growth in downtown Smyrna" and again in 2019 in the Delaware State News, "Farmers Market Planned for Old Factory".

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 be completed in 2020. This project was made possible by the Town's forward thinking commitment to bring water and sewer and electric infrastructure north of Duck Creek over the past few years.

In 2016 the Town was officially designated as a Downtown Development District (DDD), a program that is administered by the Delaware State Housing Authority. As such property and business owners are eligible for state grant funding for up to 20 percent of their construction costs to subsidize their commercial and residential qualified real property investments within the DDD. Private reinvestment continues to grow as a result of this program. As a result the Town petitioned the state to expand the DDD boundary to include the former Harris manufacturing site on Glenwood Avenue as part of an "annexation" . This 170,000 square foot building will be repurposed for warehousing, recreational and light manufacturing use, and the investors also plan to create a farmers market that will provide around 72,000 square feet of retail and restaurant space for tenants to sell merchandise, food, crafts and more. Due diligence is underway for the purchase and redevelopment of the 34 townhome component of this strategy, as are the planning, engineering and leasing elements of the Farmers Market for this site since the designation of DDD is estimated to exceed \$1,500,000. The boundary expansion grew the district from 288 parcels to 589 parcels, and increased the size of the district from 70.69 acres to 139.4 acres, thus providing greater opportunity for new housing and commercial private re-investment in Smyrna.

The 10,000 square foot former Slate Cafe location was redeveloped as a Daycare facility, operating as Smarty Pants Academy. Guzzy Q BBG opened in the downtown

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

area and Bob Johnson's Computer Stuff opened its doors along with a new retail computer repair and sales to direct consumers, and will be joined by Dairy Sweet in 2020.

There were 17 applications to the Smyrna Redevelopment Authority (RDA) for facade improvements in 2019. Facade grants up to \$2,500 are available for facade improvements. The applications totaled approximately \$38,852.

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.

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

Post-employment benefits cost continue to have a significant impact on the Town's financial condition as a result of the continued implementation of 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 post employment 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 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 has authorized a

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

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 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 \$1,826,703 in order to finance the replacement and upgrading of the water mains, service lines, and related attachments on, under, or within 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.

Delaware Municipal Electric Corporation (DEMEC) has collaborated with the Town of Smyrna to help in the reduction in greenhouse gas pollution. 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 that DEMEC has built such solar facilities.

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 citizen's based "Friends" group to preserve and promote the historically significant Belmont Hall building and site. This previously underutilized asset is now open for public use and hosts numerous educational, cultural and other events.

In 2014 Town council reauthorized the Smyrna Slum Clearance and Redevelopment

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

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 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.

The Town has cleared more than an acre of land located across from the Smyrna Rest Stop, north of downtown. The land will be used for a public works type project, potentially a water tower. There are new homes and businesses being constructed throughout town and this tower would be built to specifically meet the demand for water on the northern side of Town. The Town hopes to break ground in late 2020.

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 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

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

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, 2018. 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 tenth 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
Director of Finance



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, 2018

Christopher P. Morill

Executive Director/CEO

**TOWN OF SMYRNA
LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2019**

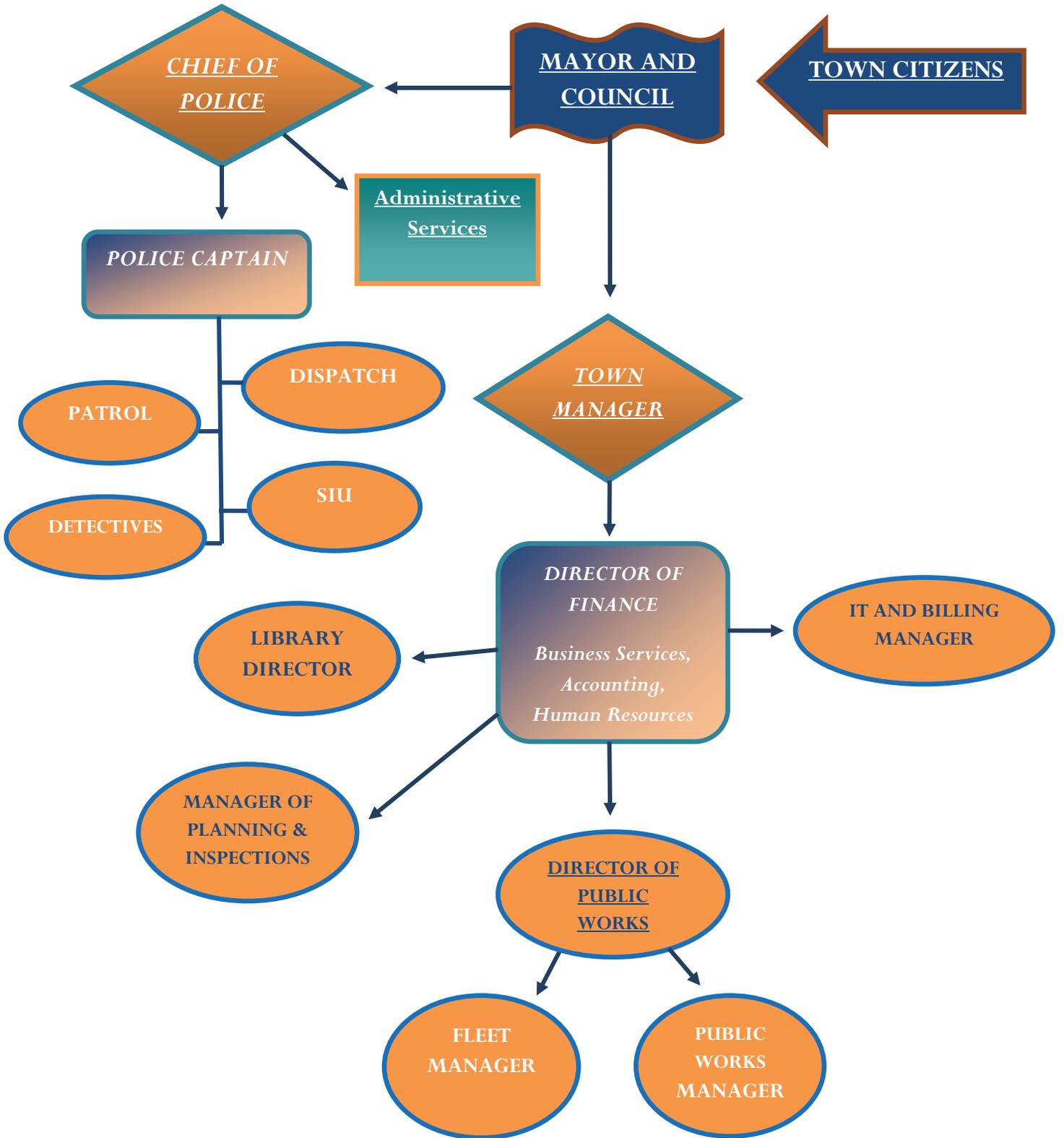
Elected Officials

Robert Johnson	Mayor
Valerie Forbes	Vice Mayor - District 3
William D. Pressley, Sr.	Council Secretary, Council Member - At Large
Margaret Mann	Council Member - District 2
Tabitha Gott	Council Member - District 1
Michael Rasmussen	Council Member - At Large
Gerald Brown	Council Member - At Large

Appointed Officials

Andrew Haines	Town Manager
Gary F. Stulir	Director of Finance
Torrie M. James	Police Chief
D. Barrett Edwards, IV	Attorney

TOWN OF SMYRNA'S 2019 ORGANIZATIONAL CHART







Independent Auditor's Report

To the Honorable Mayor and Members of Town Council
Town of Smyrna

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 (Town), as of and for the year ended December 31, 2019, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Honorable Mayor and Members of Town Council
Town of Smyrna

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smyrna, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Town of Smyrna as of December 31, 2018, were audited by other auditors whose opinion dated July 8, 2019, expressed an unmodified opinion on the financial statements. In our opinion, with the exception of the matter discussed in the following paragraph, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived. The other auditors reported on the 2018 financial statements before the restatement.

As part of our audit of the 2019 financial statements, we also audited adjustments described in Note 22 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of the Town other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

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 20 through 31 and Schedules 1 through 6 on pages 107 through 115 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and Members of Town Council
Town of Smyrna

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken 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 October 14, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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.

Belfint, Lyons & Shuman, P.A.

October 14, 2020
Wilmington, Delaware

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2019**

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, 2019. 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 47 percent of total revenues, and program revenues accounted for 53 percent of total revenues (prior year, 62 percent and 38 percent, respectively). Total revenues increased primarily due to an increase in property taxes, intergovernmental revenues and donated infrastructure. The increase in property taxes is due to an increase in the property tax millage rate by 5 percent. The town also received increased reciprocal borrowing revenues from the county for the Smyrna Library. The increase in donated infrastructure is due to infrastructure that was constructed by developers as part of new sub-divisions in the town and finally donated to the town.
- In the governmental activities, current total expenses increased from \$11,633,241 in 2018 to \$12,173,278 in 2019. This represents a five percent increase. The increase was primarily due to current year costs related to other post employment benefits. In addition the current year costs related to its pension plans increased. Finally the public safety wages increased as a result of council approving the police collective bargaining agreements in 2019.
- Total revenues in the Town's general fund increased from \$8,694,434 in 2018 to \$8,951,216 in 2019. This represents approximately a three percent increase. Total revenues increased primarily due to an increase in property taxes and intergovernmental 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 \$3,972,323, which is an increase from the prior year balance of \$3,596,525. This increase is primarily due to the increase in property tax revenues.
- As of the end of the current fiscal year, the Town's business-type activities reported a net position of \$35,314,772 an increase of \$3,500,248 as compared to the prior year. The current year increase in net position can be attributed primarily due to water and sewer infrastructure that was constructed by developers as part of new sub-divisions in the town and finally donated to the town.
- 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 \$9,488,321 and \$8,532,466 at December 31, 2019 and December 31, 2018, respectively.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

- The Town implemented GASB Statement No. 75 in 2018, "Accounting and Financial Reporting for post employment benefits other than pensions", which requires state and local governments whose employees are provided with other post employment benefits (OPEB) to account for and report the annual OPEB cost and obligations. The Town reported a net OPEB liability totaling \$11,556,000 and \$9,140,000 at December 31, 2019 and December 31, 2018, 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*).

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

In the entity-wide financial statements, the Town's activities are divided into two categories:

- **Governmental Activities:** Most of the Town's basic services are included here, such as general government, public safety, public works, planning and inspection, library, and culture and recreation.
- **Business-type Activities:** The Town charges fees to help it cover the costs of certain services provided, such as water and sewer operations, electric distribution operation, and slum clearance and economic development projects. The Town purchases 100 percent of its electric supply requirements from the Delaware Municipal Electric Corporation ("DEMEC") under a long-term full requirements service contract. In addition, the Town is charged a fee by Kent County to discharge the Town's proportionate share of wastewater into its respective facilities under an operating contract.

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

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 Non-major Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these Non-major Governmental Funds is provided in the form of *combining statements* in this report.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

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

The basic Governmental Fund financial statements can be found on pages 34 to 38 of this report.

Proprietary Funds: The Town maintains three different types of Proprietary Funds: the Water and Sewer Fund, Electric Fund, and the Smyrna Slum Clearance and Redevelopment 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 non-major fund.

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 44 to 105 of this report.

Required Supplementary Information. The required supplementary information presents information detailing the net pension liability, investment returns, and related ratios and other information about the funded status of each of the pension plans the Town participates in. In addition, it provides information regarding the funded status and contributions of the Town's other post-employment benefit plans. The required supplementary information can be found on pages 107 to 115 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 117 to 120 of this report.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42,215,873 at the close of the most recent calendar year. The table below summarizes the net position of the Town at December 31, 2019 and 2018.

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 5,709,341	\$ 4,931,190	\$ 7,027,622	\$ 6,416,557	\$ 12,736,963	\$ 11,347,747
Capital assets	25,750,369	23,112,229	48,905,000	44,898,722	74,655,369	68,010,951
Total Assets	31,459,710	28,043,419	55,932,622	51,315,279	87,392,332	79,358,698
Deferred outflows of Resources						
	2,935,151	1,710,002	1,079,782	738,427	4,014,933	2,448,429
Liabilities:						
Non-current liabilities	24,721,840	22,137,278	18,053,701	16,524,738	42,775,541	38,662,016
Other liabilities	1,750,907	1,382,134	3,215,263	3,490,494	4,966,170	4,872,628
Total Liabilities	26,472,747	23,519,412	21,268,964	20,015,232	47,741,711	43,534,644
Deferred Inflows of Resources						
	1,021,013	1,055,937	428,668	223,950	1,449,681	1,279,887
Net position:						
Net investment in capital assets	18,803,314	15,863,323	33,390,043	30,446,663	52,193,357	46,309,986
Restricted	808,440	552,729	300,000	300,000	1,108,440	852,729
Unrestricted (deficit)	(12,710,653)	(11,237,980)	1,624,729	1,067,861	(11,085,924)	(10,170,119)
TOTAL NET POSITION	\$ 6,901,101	\$ 5,178,072	\$ 35,314,772	\$ 31,814,524	\$ 42,215,873	\$ 36,992,596

By far, the largest portion of the Town's net position reflects its net investment in capital assets (e.g. land, construction-in-progress, buildings and improvements, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The Town's net position increased by \$5,223,277 during the current year.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

- ***Governmental Activities.*** Governmental activities increased the Town's net position by \$1,723,029. This is primarily due to an increase in property taxes and donated infrastructure as explained earlier.

- ***Business-type Activities.*** Business-type activities increased the Town's net position by \$3,500,248. The current year increase in net position can be attributed primarily due to donated infrastructure in the water and sewer fund. The increase in net position in the Electric Fund remained relatively the same compared to the prior year increase in net position. This increase represents the degree to which increase in ongoing revenues have outstripped similar increases in ongoing expenses.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

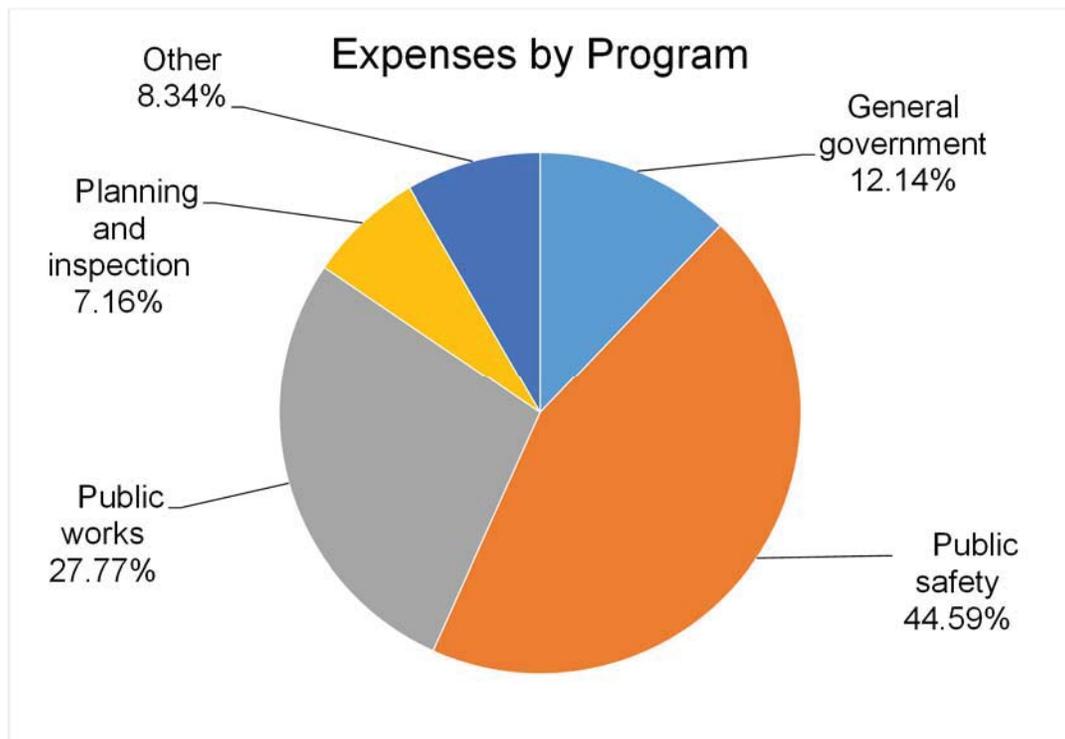
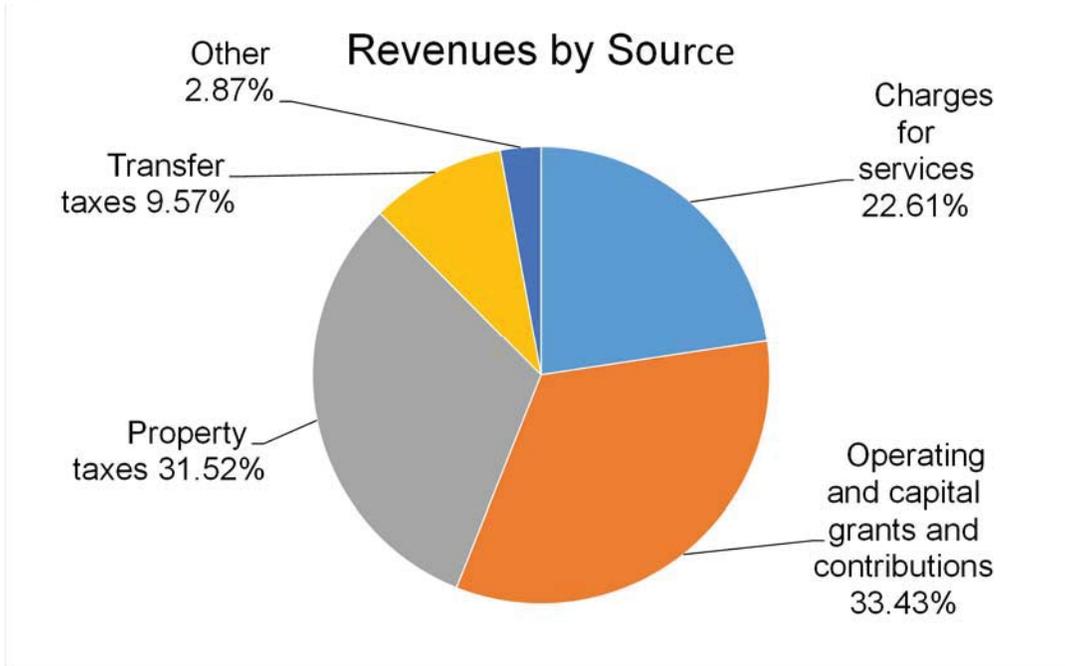
Changes in the net position of the Town are highlighted in the table presented below.

STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues:						
Charges for services	\$ 2,915,601	\$ 3,016,381	\$ 18,169,567	\$ 17,684,116	\$ 21,085,168	\$ 20,700,497
Operating grants and contributions	811,774	678,680	20,978	49,054	832,752	727,734
Capital grants and contributions	3,619,305	368,010	2,949,342	698,455	6,568,647	1,066,465
General revenues:						
Real estate taxes	4,060,318	3,750,986	-	-	4,060,318	3,750,986
Real estate transfer taxes	1,232,870	1,367,617	-	-	1,232,870	1,367,617
Franchise fees	219,067	203,907	-	-	219,067	203,907
Investment earnings	117,786	52,138	12	9	117,798	52,147
Other	32,900	38,312	-	-	32,900	38,312
TOTAL REVENUES	13,009,621	9,476,031	21,139,899	18,431,634	34,149,520	27,907,665
EXPENSES						
General government	1,487,670	1,352,992	-	-	1,487,670	1,352,992
Public safety	5,471,858	4,782,232	-	-	5,471,858	4,782,232
Public works	3,347,632	3,396,242	-	-	3,347,632	3,396,242
Planning and inspection	863,780	1,036,302	-	-	863,780	1,036,302
Library	434,842	331,280	-	-	434,842	331,280
Culture and recreation	358,820	398,277	-	-	358,820	398,277
Interest on long-term debt	208,676	335,916	-	-	208,676	335,916
Electric	-	-	12,508,566	12,449,349	12,508,566	12,449,349
Water/Sewer	-	-	4,212,719	4,447,239	4,212,719	4,447,239
Smyrna slum clearance RDF	-	-	31,680	27,896	31,680	27,896
TOTAL EXPENSES	12,173,278	11,633,241	16,752,965	16,924,484	28,926,243	28,557,725
Change in net position before transfers	836,343	(2,157,210)	4,386,934	1,507,150	5,223,277	(650,060)
Transfers	886,686	1,227,839	(886,686)	(1,227,839)	-	-
CHANGE IN NET POSITION	1,723,029	(929,371)	3,500,248	279,311	5,223,277	(650,060)
NET POSITION, BEGINNING OF YEAR, RESTATED	5,178,072	6,107,443	31,814,524	31,535,213	36,992,596	37,642,656
NET POSITION, END OF YEAR	\$ 6,901,101	\$ 5,178,072	\$ 35,314,772	\$ 31,814,524	\$ 42,215,873	\$ 36,992,596

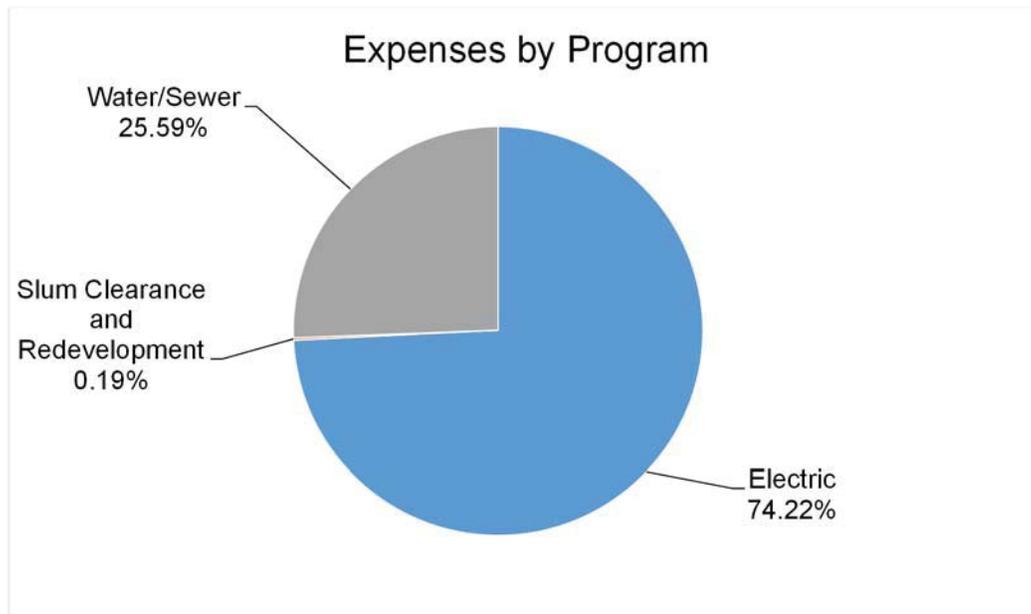
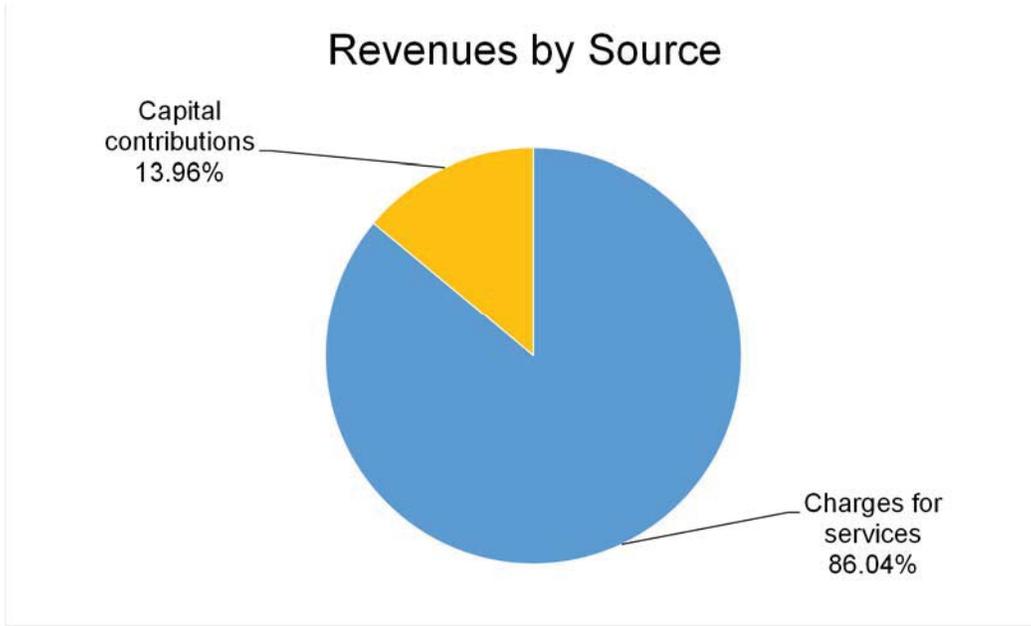
**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

The following charts illustrate the revenue sources and uses of funds for the governmental activities of the Town:



**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

The following charts illustrate the revenue sources and uses of funds for the business-type activities of the Town:



**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

As of the end of the current calendar year, the Town's Governmental Funds reported combined ending fund balances of \$3,972,323. The primary component of this figure is the fund balance of the General Fund at \$2,219,324, of which \$1,990,952 is committed to future capital projects.

The General Fund is the primary operating fund of the Town. At the end of the current calendar year, the fund balance of the General Fund was \$2,219,324, of which \$208,561 was considered unassigned.

The fund balance of the Town's General Fund decreased slightly by \$57,949 during the current calendar year. This decrease represents the degree to which increases in ongoing expenditures have outstripped similar increases in ongoing revenues.

The fund balance of the Town's Capital Improvement Fund increased by \$121,722 during the current calendar year. This increase is primarily due to an increase in investment income and a reduction in governmental funds capital outlay expenditures.

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

The unrestricted net position of the Electric Fund, Water and Sewer Fund, and the RDF at the end of the year amounted to \$1,624,729. The change in net position for the Electric Fund was an increase of \$738,221, an increase in the Water and Sewer Fund of \$2769,590, and a decrease in the RDF fund of \$7,563. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the Town's budget and actual results can be found on page 36. A summary of variations between budget amounts and actual results is as follows:

- Actual revenues exceeded budgeted revenues by \$1,158,216 primarily due to receiving more in property taxes, transfer taxes, special assessment impact fees, and intergovernmental revenues than was anticipated and budgeted.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

- Actual expenditures were \$131,594 under budget primarily due to the Town aggressively monitoring its expenditures by implementing cost efficiencies.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$74,655,369 (net of accumulated depreciation). The following table shows the breakdown of this figure.

	CAPITAL ASSETS					
	(Net of Depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,757,181	\$ 1,757,181	\$ 685,957	\$ 430,952	\$ 2,443,138	\$ 2,188,133
Construction in progress	17,818	-	3,369,653	887,658	3,387,471	887,658
Land Improvements	245,567	273,926	-	-	245,567	273,926
Buildings and improvements	9,460,009	9,708,097	2,077,636	2,139,133	11,537,645	11,847,230
Infrastructure	12,937,097	10,223,695	41,700,304	40,515,893	54,637,401	50,739,588
Machinery and equipment	1,332,697	1,149,330	1,071,450	925,086	2,404,147	2,074,416
	<u>25,750,369</u>	<u>23,112,229</u>	<u>48,905,000</u>	<u>44,898,722</u>	<u>74,655,369</u>	<u>68,010,951</u>

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

- Purchase of a public works equipment totaling \$192,749.
- Dedicated Infrastructure totaling \$3,516,023

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

- General electrical installation costs due to continued growth in Smyrna totaling \$201,616.
- Land purchases totaling \$255,005.
- Purchase of a bucket truck totaling \$242,323.
- Dedicated infrastructure totaling \$2,504,008.
- Infrastructure improvements related to the South Main Street utility project totaling \$2,459,412.

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

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2019**

OUTSTANDING DEBT		
Bonds and Loans Payable		
Governmental Activities		
	2019	2018
Governmental activities	\$ 6,814,022	\$ 7,042,580
Business-type activities	15,291,110	14,444,468
TOTAL	\$ 22,105,132	\$ 21,487,048

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

The current legal long-term debt limit for the Town cannot exceed 4.5 percent of the total assessed valuation of all taxable property in the Town. This amounts to \$43,020,000 of the total assessed valuation, which is significantly more than the Town's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Town adopted its 2020 budget in December 2019. This budget totaled \$7,941,580 in revenues and \$10,511,293 in expenditures. The difference between budgeted revenues and expenditures will be subsidized through operating transfers from the proprietary funds. This budget represents an increase in budgeted revenues of two percent and an increase in budgeted expenditures of five percent. Property tax rates for 2020 will remain the same at \$0.4400 cents per \$100 of assessed value, which represents a five percent increase in property tax rates from the prior year. The Electric and Water and Sewer Fund user fee rates have been increased for 2020.
- In response to COVID-19 the Town has reduced its' water, sewer and electric rates for the months of April 2020 and May 2020 bills. In addition the town will not assess late fees or perform disconnects until June 1, 2020. The effects of COVID-19 remain unknown as to its final impact on the Town's revenues and expenditures in 2020.
- The majority of the Town's city limits are in Kent County, whose unemployment rate for the County was reported at 3.8 percent in December 2019. The State's unemployment rate was reported at 4.0 percent.
- The Town's total population at December 2019 is currently estimated at 12,401, an increase from the 2010 census, which placed the Town's total population at 10,023.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Smyrna, P.O. Box 307, 27 South Market Street Plaza, Smyrna, DE 19977.

TOWN OF SMYRNA
STATEMENT OF NET POSITION
DECEMBER 31, 2019
(With Summarized Comparative Data for December 31, 2018)

	Governmental Activities	Business-type Activities	Totals	
			2019	2018
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 838,758	\$ 3,289,681	\$ 4,128,439	\$ 3,165,373
Investments	3,681,797	7,515	3,689,312	3,571,750
Taxes receivable	286,355	-	286,355	315,979
Accounts receivable	481,143	2,071,388	2,552,531	2,469,151
Grants receivable	390,782	-	390,782	68,000
Loan receivable	-	36,155	36,155	30,000
Inventory	19,811	543,157	562,968	628,968
Due from other governments	-	-	-	22,606
Restricted Assets:				
Meter deposits	-	877,990	877,990	858,490
Total Current Assets	5,698,646	6,825,886	12,524,532	11,130,317
Noncurrent Assets:				
Prepaid bond insurance costs	10,695	14,495	25,190	27,430
Loan receivable	-	187,241	187,241	190,000
Land	1,757,181	685,957	2,443,138	2,188,133
Construction-in-progress	17,818	3,369,653	3,387,471	887,658
Capital assets, net:				
Land improvements	245,567	-	245,567	273,926
Buildings and improvements	9,460,009	2,077,636	11,537,645	11,847,230
Infrastructure	12,937,097	41,700,304	54,637,401	50,739,588
Machinery and equipment	1,332,697	1,071,450	2,404,147	2,074,416
Total Noncurrent Assets	25,761,064	49,106,736	74,867,800	68,228,381
TOTAL ASSETS	\$ 31,459,710	\$ 55,932,622	\$ 87,392,332	\$ 79,358,698
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	1,497,992	893,797	2,391,789	2,448,429
Deferred outflows - OPEB	1,437,159	185,985	1,623,144	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,935,151	1,079,782	4,014,933	2,448,429
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 34,394,861	\$ 57,012,404	\$ 91,407,265	\$ 81,807,127
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 966,907	\$ 955,201	\$ 1,922,108	\$ 1,628,716
Accrued salaries and benefits	148,264	45,858	194,122	159,935
Accrued interest	37,235	69,967	107,202	112,549
Developer deposits	10,000	108,847	118,847	180,802
Other liability	-	143,786	143,786	285,733
Unearned revenue	267,969	-	267,969	327,518
Bonds payable	150,500	199,500	350,000	340,000
Loans payable	81,094	774,718	855,812	837,255
Capital lease payable	36,361	31,638	67,999	80,884
Accrued compensated absences	52,577	7,758	60,335	60,746
Current Liabilities Payable from Restricted Assets:				
Meter deposits	-	877,990	877,990	858,490
Total Current Liabilities	1,750,907	3,215,263	4,966,170	4,872,628
Noncurrent Liabilities:				
Portions due or payable after one year				
Accrued compensated absences	473,189	69,830	543,019	546,724
Capital lease payable	96,672	192,209	288,881	133,033
Bonds payable	2,053,800	2,821,200	4,875,000	5,225,000
Loans payable	4,528,628	11,495,692	16,024,320	15,084,793
Net OPEB liability	10,335,943	1,220,057	11,556,000	9,140,000
Net pension liability	7,233,608	2,254,713	9,488,321	8,532,466
Total Noncurrent Liabilities	24,721,840	18,053,701	42,775,541	38,662,016
TOTAL LIABILITIES	26,472,747	21,268,964	47,741,711	43,534,644
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - OPEB	652,868	104,537	757,405	852,081
Deferred inflows - pensions	368,145	324,131	692,276	427,806
TOTAL DEFERRED INFLOWS OF RESOURCES	1,021,013	428,668	1,449,681	1,279,887
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	27,493,760	21,697,632	49,191,392	44,814,531
NET POSITION				
Net investment in capital assets	18,803,314	33,390,043	52,193,357	46,309,986
Restricted for police	93,082	-	93,082	82,732
Restricted for public works	715,358	-	715,358	469,997
Restricted for rural economic development	-	300,000	300,000	300,000
Unrestricted (deficit)	(12,710,653)	1,624,729	(11,085,924)	(10,170,119)
TOTAL NET POSITION	6,901,101	35,314,772	42,215,873	36,992,596
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 34,394,861	\$ 57,012,404	\$ 91,407,265	\$ 81,807,127

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

TOWN OF SMYRNA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(With Summarized Comparative Data for December 31, 2018)

	<u>Major Funds</u>			<u>Totals</u>	
	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>2019</u>	<u>2018</u>
		<u>Fund</u>			
ASSETS					
Cash and cash equivalents	\$ 167,768	\$ 60,513	\$ 610,477	\$ 838,758	\$ 565,857
Investments	2,658,504	834,060	189,233	3,681,797	3,564,248
Taxes receivable	286,355	-	-	286,355	315,979
Accounts receivable	481,143	-	-	481,143	382,021
Grants receivable	-	390,782	-	390,782	68,000
Due from other funds	-	-	8,730	8,730	-
Inventory	19,811	-	-	19,811	23,439
TOTAL ASSETS	\$ 3,613,581	\$ 1,285,355	\$ 808,440	\$ 5,707,376	\$ 4,919,544
LIABILITIES					
Accounts payable	\$ 626,111	\$ 340,796	\$ -	\$ 966,907	\$ 542,131
Accrued salaries and benefits	148,264	-	-	148,264	114,651
Due to other funds	8,730	-	-	8,730	-
Unearned revenue	267,969	-	-	267,969	327,518
Developer deposits	10,000	-	-	10,000	10,000
TOTAL LIABILITIES	1,061,074	340,796	-	1,401,870	994,300
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	333,183	-	-	333,183	272,405
TOTAL DEFERRED INFLOWS OF RESOURCES	333,183	-	-	333,183	272,405
FUND BALANCES					
Nonspendable	19,811	-	-	19,811	23,439
Restricted for police	-	-	93,082	93,082	82,732
Restricted for public works	-	-	715,358	715,358	469,997
Committed to capital projects	1,990,952	944,559	-	2,935,511	2,813,789
Unassigned (Deficit)	208,561	-	-	208,561	262,882
TOTAL FUND BALANCES	\$ 2,219,324	\$ 944,559	\$ 808,440	\$ 3,972,323	\$ 3,652,839

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

TOWN OF SMYRNA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
DECEMBER 31, 2019

TOTAL GOVERNMENTAL FUND BALANCES \$ 3,972,323

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 25,750,369

Some of the Town's assets are not available to pay for current expenditures and therefore are not reported in the funds. 333,183

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

Deferred outflows of resources - pensions	\$ 1,497,992	
Deferred outflows of resources - OPEB	1,437,159	
Deferred inflows of resources - pensions	(368,145)	
Deferred inflows of resources - OPEB	<u>(652,868)</u>	1,914,138

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

Bonds payable	\$ (2,204,300)	
Loans payable	(4,609,722)	
Capital lease	(133,033)	
Net OPEB liability	(10,335,943)	
Net pension liability	(7,233,608)	
Accrued interest	<u>(37,235)</u>	(24,553,841)

Bond issuance costs resulted in deferred charges which will be amortized over the life of the new debt, but do not represent current rights. 10,695

Compensated absences that are not due and payable in the current period are not reported in the funds. (525,766)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,901,101

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

TOWN OF SMYRNA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Data for the Year Ended December 31, 2018)

	<u>Major Funds</u>			<u>Totals</u>	
	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>		
	<u>Fund</u>	<u>Improvement</u>	<u>Governmental</u>	<u>2019</u>	<u>2018</u>
REVENUES					
Taxes:					
Property taxes	\$ 4,088,867	\$ -	\$ -	\$ 4,088,867	\$ 3,714,507
Transfer taxes	1,232,870	-	-	1,232,870	1,367,617
Special assessment/impact fees	565,687	-	-	565,687	730,426
Charges for services	1,521,806	-	-	1,521,806	1,533,720
Intergovernmental	537,299	103,282	260,642	901,223	759,202
Licenses, fees and permits	426,109	-	-	426,109	429,001
Fines and forfeits	126,213	-	-	126,213	126,686
Franchise fees	219,067	-	-	219,067	203,907
Investment income	107	113,762	3,917	117,786	52,138
Rental Income	94,212	-	-	94,212	92,052
Miscellaneous	138,979	-	-	138,979	155,285
TOTAL REVENUES	8,951,216	217,044	264,559	9,432,819	9,164,541
EXPENDITURES					
Current:					
General government	1,276,128	-	-	1,276,128	1,136,187
Public safety	4,237,437	-	8,848	4,246,285	3,930,809
Public works	2,441,675	-	-	2,441,675	2,446,401
Planning and inspection	747,817	-	-	747,817	950,659
Library	393,079	-	-	393,079	281,216
Culture and recreation	271,956	-	-	271,956	341,730
Debt service:					
Principal	301,851	-	-	301,851	403,044
Interest	208,732	-	-	208,732	329,643
Capital outlay	-	112,498	-	112,498	330,467
TOTAL EXPENDITURES	9,878,675	112,498	8,848	10,000,021	10,150,156
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(927,459)	104,546	255,711	(567,202)	(985,615)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	-	-	-	312,808
Transfers in	869,510	2,499,171	-	3,368,681	1,227,839
Transfers out	-	(2,481,995)	-	(2,481,995)	-
TOTAL OTHER FINANCING SOURCES	869,510	17,176	-	886,686	1,540,647
NET CHANGES IN FUND BALANCES	(57,949)	121,722	255,711	319,484	555,032
FUND BALANCES, BEGINNING OF YEAR, RESTATED	2,277,273	822,837	552,729	3,652,839	3,097,807
FUND BALANCES, END OF YEAR	\$ 2,219,324	\$ 944,559	\$ 808,440	\$ 3,972,323	\$ 3,652,839

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

TOWN OF SMYRNA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 319,484

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

Governmental funds report capital outlays as expenditures. However, in the the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,299,043) exceeded capital outlay (\$421,160). (877,883)

The net effect of transactions involving donations of infrastructure is to increase net position. 3,516,023

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred inflows of resources decreased by this amount this year. 60,778

The issuance of long-term debt (e.g bonds payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 301,851

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for the transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, assets are not recognized in governmental funds unless they represent current financial resources but are recognized in the Statement of Activities as they accrue. The following differences, therefore, occurred between the statement of activities and the governmental funds.

Compensated absences	\$	(16,728)	
Accrued interest		1,007	
Prepaid bond insurance costs		(951)	
Net OPEB expense		<u>(618,181)</u>	(634,853)

In the statement of activities, pension expense reflects the change in the net pension liability, net of related deferred inflows and outflows of resources. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in the net pension liability and related deferrals exceeded pension contributions. (962,371)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,723,029

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

TOWN OF SMYRNA
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property taxes	\$ 3,920,000	\$ 3,920,000	\$ 4,088,867	\$ 168,867
Transfer taxes	980,000	980,000	1,232,870	252,870
Special assessment/impact fees	245,000	245,000	565,687	320,687
Charges for services	1,475,000	1,475,000	1,521,806	46,806
Intergovernmental	340,000	340,000	537,299	197,299
Licenses, fees and permits	338,000	338,000	426,109	88,109
Fines and forfeits	138,500	138,500	126,213	(12,287)
Franchise fees	186,000	186,000	219,067	33,067
Investment income	1,000	1,000	107	(893)
Rental income	70,000	70,000	94,212	24,212
Miscellaneous	99,500	99,500	138,979	39,479
TOTAL REVENUES	<u>7,793,000</u>	<u>7,793,000</u>	<u>8,951,216</u>	<u>1,158,216</u>
EXPENDITURES				
Current:				
General government	1,466,483	1,466,483	1,276,128	190,355
Public safety	4,281,184	4,281,184	4,237,437	43,747
Public works	2,258,623	2,258,623	2,441,675	(183,052)
Planning and inspection	761,192	761,192	747,817	13,375
Library	347,160	347,160	393,079	(45,919)
Culture and recreation	409,946	409,946	271,956	137,990
Debt service:				
Principal	385,200	385,200	301,851	83,349
Interest	100,481	100,481	208,732	(108,251)
TOTAL EXPENDITURES	<u>10,010,269</u>	<u>10,010,269</u>	<u>9,878,675</u>	<u>131,594</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,217,269)</u>	<u>(2,217,269)</u>	<u>(927,459)</u>	<u>1,289,810</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Transfers in	2,217,269	2,217,269	869,510	(1,347,759)
TOTAL OTHER FINANCING SOURCES	<u>2,217,269</u>	<u>2,217,269</u>	<u>869,510</u>	<u>(1,347,759)</u>
NET CHANGES IN FUND BALANCE	-	-	(57,949)	(57,949)
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>2,277,273</u>	<u>2,277,273</u>	<u>2,277,273</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,277,273</u>	<u>\$ 2,277,273</u>	<u>\$ 2,219,324</u>	<u>\$ (57,949)</u>

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

TOWN OF SMYRNA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Data for the Year Ended December 31, 2018)

	Electric Fund	Water and Sewer Fund	Smyrna Slum Clearance and Redeployment Fund	Totals	
				2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current Assets:					
Cash and cash equivalents	\$ 2,237,047	\$ 914,830	\$ 137,804	\$ 3,289,681	\$ 2,599,516
Investments	7,515	-	-	7,515	7,502
Due from other governments	-	-	-	-	22,606
Accounts receivable	1,563,040	508,348	-	2,071,388	2,087,130
Loan receivable	-	-	36,155	36,155	35,000
Inventory	487,166	55,991	-	543,157	605,529
Restricted Assets:					
Meter deposits	868,147	9,843	-	877,990	858,490
Total Current Assets	5,162,915	1,489,012	173,959	6,825,886	6,215,773
Noncurrent Assets:					
Prepaid bond insurance costs	14,495	-	-	14,495	15,784
Loan receivable	-	-	187,241	187,241	185,000
Capital assets, net	13,833,962	35,071,038	-	48,905,000	44,898,722
Total Noncurrent Assets	13,848,457	35,071,038	187,241	49,106,736	45,099,506
Total Assets	19,011,372	36,560,050	361,200	55,932,622	51,315,279
Deferred Outflows of Resources:					
Deferred outflows - pensions	466,046	427,751	-	893,797	738,427
Deferred outflows - OPEB	135,262	50,723	-	185,985	-
Total Deferred Outflows of Resources	601,308	478,474	-	1,079,782	738,427
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 19,612,680	\$ 37,038,524	\$ 361,200	\$ 57,012,404	\$ 52,053,706
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
Liabilities:					
Current Liabilities:					
Accounts payable	\$ 804,597	\$ 150,604	\$ -	\$ 955,201	\$ 1,086,585
Accrued salaries and benefits	26,857	19,001	-	45,858	45,284
Accrued interest	39,817	30,150	-	69,967	74,307
Developer deposits	108,847	-	-	108,847	170,802
Other liability	143,786	-	-	143,786	285,733
Accrued compensated absences	4,628	3,130	-	7,758	9,843
Capital lease payable	31,638	-	-	31,638	7,591
Current portion of bonds payable	199,500	-	-	199,500	193,800
Current portion of loans payable	-	774,718	-	774,718	758,059
Current Liabilities Payable from Restricted Assets:					
Meter deposits	868,147	9,843	-	877,990	858,490
Total Current Liabilities	2,227,817	987,446	-	3,215,263	3,490,494
Noncurrent Liabilities					
Accrued compensated absences	41,656	28,174	-	69,830	88,589
Capital lease payable	192,209	-	-	192,209	-
Bonds payable	2,821,200	-	-	2,821,200	3,020,700
Loans payable	-	11,495,692	-	11,495,692	10,471,909
Net OPEB liability	811,183	408,874	-	1,220,057	943,224
Net pension liability	1,147,456	1,107,257	-	2,254,713	2,000,316
Total Noncurrent Liabilities	5,013,704	13,039,997	-	18,053,701	16,524,738
Total Liabilities	7,241,521	14,027,443	-	21,268,964	20,015,232
Deferred Inflows of Resources:					
Deferred inflows - pensions	165,734	158,397	-	324,131	108,564
Deferred inflows - OPEB	71,993	32,544	-	104,537	115,386
Total Deferred Inflows of Resources	237,727	190,941	-	428,668	223,950
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,479,248	14,218,384	-	21,697,632	20,239,182
Net Position:					
Net investment in capital assets	10,589,415	22,800,628	-	33,390,043	30,446,663
Restricted for rural economic development	-	-	300,000	300,000	300,000
Unrestricted	1,544,017	19,512	61,200	1,624,729	1,067,861
Total Net Position	12,133,432	22,820,140	361,200	35,314,772	31,814,524
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 19,612,680	\$ 37,038,524	\$ 361,200	\$ 57,012,404	\$ 52,053,706

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

TOWN OF SMYRNA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Data for the Year Ended December 31, 2018)

	Electric Fund	Water and Sewer Fund	Smyrna Slum Clearance and Redeployment Fund	Totals	
				2019	2018
OPERATING REVENUES					
User service charges	\$ 13,734,268	\$ 4,243,552	\$ -	\$ 17,977,820	\$ 17,542,806
Other operating revenue	93,654	73,976	24,117	191,747	141,310
Total Operating Revenues	13,827,922	4,317,528	24,117	18,169,567	17,684,116
OPERATING EXPENSES					
Electric purchased	8,379,181	-	-	8,379,181	8,639,278
Sewer charges	-	1,152,583	-	1,152,583	1,167,904
System maintenance	420,024	394,097	-	814,121	620,325
Salaries and wages	815,502	556,234	-	1,371,736	1,511,757
Employee benefits	673,730	514,988	-	1,188,718	1,089,925
Depreciation and amortization	882,802	849,415	-	1,732,217	1,666,344
Supplies and maintenance	623,166	161,697	-	784,863	698,941
Truck and vehicles	24,057	17,088	-	41,145	51,014
Insurance	57,274	40,957	-	98,231	114,760
Administration expenses	143,503	59,563	60	203,126	94,136
Professional services	298,013	235,714	-	533,727	783,596
Smyrna slum clearance program	-	-	31,620	31,620	27,856
Total Operating Expenses	12,317,252	3,982,336	31,680	16,331,268	16,465,836
OPERATING INCOME (LOSS)	1,510,670	335,192	(7,563)	1,838,299	1,218,280
NONOPERATING REVENUES (EXPENSES)					
Investment income	12	-	-	12	9
Interest expense	(121,314)	(230,383)	-	(351,697)	(403,648)
Intergovernmental	(70,000)	20,978	-	(49,022)	(5,946)
Total Nonoperating Revenues (Expenses)	(191,302)	(209,405)	-	(400,707)	(409,585)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
	1,319,368	125,787	(7,563)	1,437,592	808,695
Transfers in	550,743	1,931,252	-	2,481,995	-
Transfers out	(1,577,224)	(1,791,457)	-	(3,368,681)	(1,227,839)
Capital contributions	445,334	2,504,008	-	2,949,342	698,455
CHANGE IN NET POSITION	738,221	2,769,590	(7,563)	3,500,248	279,311
NET POSITION, BEGINNING OF YEAR, RESTATED	11,395,211	20,050,550	368,763	31,814,524	31,535,213
NET POSITION, END OF YEAR	\$ 12,133,432	\$ 22,820,140	\$ 361,200	\$ 35,314,772	\$ 31,814,524

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

TOWN OF SMYRNA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Data for the Year Ended December 31, 2018)

	Electric Fund	Water and Sewer Fund	Smyrna Slum Clearance and Redeployment Fund	Totals	
				2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 13,720,105	\$ 4,279,291	\$ 20,721	\$ 18,020,117	\$ 17,164,742
Paid to suppliers for goods and services	(9,818,307)	(2,257,622)	(31,680)	(12,107,609)	(12,128,826)
Paid to employees for services	(1,282,912)	(903,219)	-	(2,186,131)	(2,218,478)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,618,886	1,118,450	(10,959)	3,726,377	2,817,438
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	139,795	-	139,795	-
Transfers out	(1,026,481)	-	-	(1,026,481)	(1,227,839)
Intergovernmental revenues (expenses)	(70,000)	20,978	-	(49,022)	(5,946)
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(1,096,481)	160,773	-	(935,708)	(1,233,785)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Repayment of bonds, loans, and capital leases payable	(219,867)	(751,015)	-	(970,882)	(932,462)
Loan proceeds	242,323	1,791,457	-	2,033,780	-
Developer capital contributions	445,334	-	-	445,334	698,455
Acquisition and construction of capital assets	(1,017,740)	(2,215,458)	-	(3,233,198)	(587,211)
Interest paid	(123,335)	(232,703)	-	(356,038)	(397,622)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(673,285)	(1,407,719)	-	(2,081,004)	(1,218,840)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	849,120	(128,496)	(10,959)	709,665	364,813
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,256,074	1,053,169	148,763	3,458,006	3,093,193
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,105,194	\$ 924,673	\$ 137,804	\$ 4,167,671	\$ 3,458,006
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income	\$ 1,510,670	\$ 335,192	\$ (7,563)	\$ 1,838,299	\$ 1,356,783
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	882,802	849,415	-	1,732,217	1,666,344
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	76,885	(38,537)	-	38,348	(404,747)
(Increase) Decrease in loan receivable	-	-	(3,396)	(3,396)	35,000
(Increase) Decrease in inventory	55,485	6,887	-	62,372	(21,155)
(Increase) Decrease in prepaid expenses	-	-	-	-	20,972
(Increase) Decrease in deferred outflow pension items	(76,715)	(78,655)	-	(155,370)	(200,665)
(Increase) Decrease in deferred outflow OPEB items	(135,262)	(50,723)	-	(185,985)	-
Increase (Decrease) in accounts payable	71,426	(202,810)	-	(131,384)	69,167
Increase (Decrease) in other liability	(141,947)	-	-	(141,947)	(84,438)
Increase (Decrease) in accrued salaries and benefits	1,001	(427)	-	574	(2,316)
Increase (Decrease) in customer deposits	(42,755)	300	-	(42,455)	(203,692)
(Increase) Decrease in deferred inflow pension items	105,058	110,509	-	215,567	(30,164)
(Increase) Decrease in deferred inflow OPEB items	(7,890)	(2,959)	-	(10,849)	115,386
Increase (Decrease) in net pension liability	129,304	125,093	-	254,397	558,751
Increase (Decrease) in net OPEB liability	201,333	75,500	-	276,833	(41,064)
(Decrease) Increase in compensated absences	(10,509)	(10,335)	-	(20,844)	(16,724)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,618,886	\$ 1,118,450	\$ (10,959)	\$ 3,726,377	\$ 2,817,438
Noncash investing, capital and financing activities:					
Contributions of capital assets	\$ -	\$ 2,504,008	\$ -	\$ 2,504,008	\$ -
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION					
Cash and cash equivalents	\$ 2,237,047	\$ 914,830	\$ 137,804	\$ 3,289,681	\$ 2,599,516
Meter deposits, restricted	868,147	9,843	-	877,990	858,490
TOTAL CASH AND CASH EQUIVALENTS	\$ 3,105,194	\$ 924,673	\$ 137,804	\$ 4,167,671	\$ 3,458,006

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

TOWN OF SMYRNA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Data for the Year Ended December 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,009,624	\$ 1,050,370
Contributions receivable	78,693	50,293
Interest receivable	28,209	27,405
Prepaid expense	58,075	48,671
Investments at fair value:		
Equities	1,344,375	1,040,756
Mutual funds	1,661,013	1,330,482
Fixed income	4,539,856	4,274,459
Exchange-traded funds	118,885	95,668
Insurance contracts	3,897,631	3,622,210
TOTAL ASSETS	\$ 12,736,361	\$ 11,540,314
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ 59,961	\$ 45,693
NET POSITION		
Net position restricted for pensions	12,676,400	11,494,621
TOTAL LIABILITIES AND NET POSITION	\$ 12,736,361	\$ 11,540,314

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

TOWN OF SMYRNA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Data for the Year Ended December 31, 2018)

	2019	2018
ADDITIONS		
Contributions:		
Employer contribution	\$ 529,975	\$ 279,021
Employee contribution	68,447	69,281
Returned members plan assets	-	27,589
	598,422	375,891
Investment income:		
Interest and dividends	433,690	406,588
Net appreciation (depreciation) in fair value of investments	1,050,245	(418,067)
	1,483,935	(11,479)
Total Investment Income (Loss)	1,483,935	(11,479)
Less investment expense	129,217	129,138
	1,354,718	(140,617)
Net Investment Income	1,354,718	(140,617)
TOTAL ADDITIONS	1,953,140	235,274
DEDUCTIONS		
Benefits paid	765,963	694,742
Administrative expenses	5,398	4,783
	771,361	699,525
TOTAL DEDUCTIONS	771,361	699,525
CHANGE IN NET POSITION	1,181,779	(464,251)
NET POSITION RESTRICTED FOR PENSIONS, BEGINNING OF YEAR	11,494,621	11,958,872
NET POSITION RESTRICTED FOR PENSIONS, END OF YEAR	\$ 12,676,400	\$ 11,494,621

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 an entity’s financial reporting entity are financial interdependencies, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships.

The Town has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Town’s financial statements. In addition, the Town is not aware of any entity which would exercise such oversight which would result in the Town being considered a component unit of the entity. Based on the application of these criteria, the Town is considered to be an independent reporting 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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific Town expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other revenues, including charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Expenditures are recorded when the related liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Long-term debt issues and acquisitions under capital leases are reported as other financing sources.

The Town reports the following major governmental funds:

General Fund - This fund is used to account for the general operating activities of the Town. General government, library, public safety, public works, culture and recreation, planning and inspections, and the business park are financed through this fund with receipts from general property taxes, transfer taxes, licenses and permits, investment interest, fines, charges for current services, intergovernmental, and other revenue.

Capital Improvement Fund - This fund is used to account for the design, construction, and improvement of Town buildings, land improvements, and the purchase and replacement of vehicles and machinery and equipment.

Nonmajor Governmental Funds - In addition to the above major governmental funds, the Town includes the Municipal Street Aid, S.A.L.L.E., E.I.D.E., Resource Officer, and Forfeiture funds in its financial statements.

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Town's proprietary funds are electric and water/sewer charges. Operating expenses for the Town's proprietary funds include salaries, employee benefits, production costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

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

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

The Town also reports the following fiduciary fund type:

Pension Trust Funds - These funds are used to account for the assets held by the pension plans for full-time Town employees and the pension plans for full-time police officers in a trustee capacity. The pension plans, which are part of the Town's legal entity, are single-employer defined benefit pension plans that provide benefits to Town employees.

With limited exceptions, the effects of interfund activity have been eliminated from the entity-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Deposits and Investments

For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments for the Town are reported at fair value. In establishing the fair value of investments, the Town uses the following hierarchy. The lowest level of valuation available is used for all investments.

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

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

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowance for Doubtful Accounts

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

Deferred Inflows and Deferred Outflows of Resources

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

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Town has several items that are required to be reported in this category: (1) differences between actual and projected investment returns related to pensions 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) deferred inflow from pensions, (2) deferred inflow from OPEB, and (3) unavailable revenue. Deferred inflows related to pensions and OPEB include: (a) differences between actual and projected investment, (b) differences between actual and expected experience, (c) changes in the Town's proportionate share of the net pension

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. 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.

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.

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:

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Employee Benefits

Non-bargaining Units

Regular, full-time employees begin to accrue vacation and sick leave when they are hired; however, they are not eligible to use vacation and sick leave until they have completed their first six months of employment. Sick leave is accrued at the rate of 12 days per completed year prorated at the rate of one day for each completed month of service. Employees may accumulate an unlimited number of sick leave days. One-half of the full amount accumulated up to 20 days maximum is paid if the employee is terminated in good standing, retires, or dies. Vacation is accrued for each month of work performed. The accrual rate increases with years of service up to a maximum of 24 days per year for 20 years of service and over. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service. In 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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-term Debt

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current financial period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. With the exception of bond insurance premiums, all other issuance costs are expensed in the governmental and business-type activities when incurred. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method in the proprietary funds and entity-wide statements.

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

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 afore-mentioned 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 unassigned fund balance amount.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Property Taxes

Property taxes attach as an enforceable lien on property when levied. All liens continue until property taxes are paid in full. Taxes are levied on May 1 and are payable on or before September 30. Taxes paid before July 1 are given a 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 2019 was 44 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 restricted cash can be managed in a pool and their use is limited by enabling legislation or granting agencies.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- 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 2019, there were no amendments to the legally adopted budgets.

Implementation of 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. The implementation of this standard did not have a material impact on these financial statements.

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. The implementation of this standard did not have a material impact on these financial statements.

GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," was implemented by the Town. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. The implementation of this standard did not have a material impact on these financial statements.

GASB Statement No. 90, "Majority Equity Interests," an Amendment of GASB Statements No. 14 and No. 61, was implemented by the Town. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of this standard did not have a material impact on these financial statements.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements

GASB Statement No. 87, "Leases," was issued in June 2017 and is effective for periods beginning after June 15, 2021. 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.

GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," will be effective for the Town for periods beginning after December 15, 2020. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

GASB Statement No. 91, "Conduit Debt Obligations," will be effective for reporting periods beginning after December 15, 2021. The objective of this Statement is to provide single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related to note disclosures.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2018, from which the summarized information was derived.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, the General Fund’s legal budget was not exceeded. Expenditures in excess of appropriations were incurred in the following functions:

Function	Expenditures Over Budget
Public works	\$ 183,052
Library	45,919
Interest	108,251

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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, 2019, the carrying amount of the Town's deposits was \$5,006,429 and the bank balance was \$5,311,874. 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, 2019, \$269,885 was covered by federal depository insurance, and \$5,042,019 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Town's name. The Town has not experienced any losses in such accounts.

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

Investments

As of December 31, 2019, the Town had the following investments:

	Fair Value	Level 1
U.S Treasury bills and notes	\$ 1,511,195	\$ 1,511,195
Equity mutual funds	158,035	158,035
Money market funds	2,020,082	2,020,082
	\$ 3,689,312	\$ 3,689,312

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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, 2019, the Town's investments in U.S. Treasury bills and notes had maturity dates that did not exceed two years.

Custodial Credit Risk

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

Credit Risk

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

Concentration Risk

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

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 4: CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 1,757,181	\$ -	\$ -	\$ 1,757,181
Construction in progress	-	17,818	-	17,818
Total capital assets, not being depreciated	1,757,181	17,818	-	1,774,999
Capital assets being depreciated:				
Buildings and improvements	12,167,618	-	-	12,167,618
Infrastructure	21,240,224	3,516,023	-	24,756,247
Land improvements	884,286	-	-	884,286
Machinery and equipment	5,099,733	403,342	-	5,503,075
Total capital assets, being depreciated	39,391,861	3,919,365	-	43,311,226
Less accumulated depreciation for:				
Buildings and improvements	2,459,521	248,088	-	2,707,609
Infrastructure	11,016,529	802,621	-	11,819,150
Land improvements	610,360	28,359	-	638,719
Machinery and equipment	3,950,403	219,975	-	4,170,378
Total accumulated depreciation	18,036,813	1,299,043	-	19,335,856
Total capital assets, being depreciated, net	21,355,048	2,620,322	-	23,975,370
Governmental activities capital assets, net	\$ 23,112,229	\$ 2,638,140	\$ -	\$ 25,750,369

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 4: CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 430,952	\$ 255,005	\$ -	\$ 685,957
Construction-in-progress	887,658	2,481,995	-	3,369,653
Total capital assets, not being depreciated	1,318,610	2,737,000	-	4,055,610
Capital assets being depreciated:				
Buildings and improvements	3,265,334	-	-	3,265,334
Infrastructure	55,673,514	2,705,624	-	58,379,138
Machinery and equipment	2,581,650	294,582	-	2,876,232
Total capital assets, being depreciated	61,520,498	3,000,206	-	64,520,704
Less accumulated depreciation for:				
Buildings and improvements	1,126,201	61,497	-	1,187,698
Infrastructure	15,157,621	1,521,213	-	16,678,834
Machinery and equipment	1,656,564	148,218	-	1,804,782
Total accumulated depreciation	17,940,386	1,730,928	-	19,671,314
Total capital assets, being depreciated, net	43,580,112	1,269,278	-	44,849,390
Business-type activities assets, net	\$ 44,898,722	\$ 4,006,278	\$ -	\$ 48,905,000

Depreciation expense was charged to the functions as follows:

Government Activities:	
General government	\$ 67,675
Public safety	215,297
Public works	943,952
Planning and inspection	19,550
Library	16,763
Culture and recreation	35,806
Total Depreciation Expense	<u>\$ 1,299,043</u>
Business-type Activities:	
Electric	\$ 882,802
Water and sewer	849,415
Total Depreciation Expense	<u>\$ 1,732,217</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 5: LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Government Activities</i>					
Bonds payable	\$ 2,350,500	\$ -	\$ 146,200	\$ 2,204,300	\$ 150,500
Loans payable	4,692,080	-	82,358	4,609,722	81,094
Capital lease payable	206,326	-	73,293	133,033	36,361
Compensated absences	509,038	200,937	184,209	525,766	52,577
Net OPEB liability	8,196,776	2,139,167	-	10,335,943	-
Net pension liability	6,532,150	701,458	-	7,233,608	-
	<u>\$ 22,486,870</u>	<u>\$ 3,041,562</u>	<u>\$ 486,060</u>	<u>\$ 25,042,372</u>	<u>\$ 320,532</u>
<i>Business-type Activities</i>					
Bonds payable	\$ 3,214,500	\$ -	\$ 193,800	\$ 3,020,700	\$ 199,500
Loans payable	11,229,968	1,791,457	751,015	12,270,410	774,718
Capital lease payable	7,591	242,323	26,067	223,847	31,638
Compensated absences	98,432	41,986	62,830	77,588	7,758
Net OPEB liability	943,224	276,833	-	1,220,057	-
Net pension liability	2,000,316	254,397	-	2,254,713	-
	<u>\$ 17,494,031</u>	<u>\$ 2,606,996</u>	<u>\$ 1,033,712</u>	<u>\$ 19,067,315</u>	<u>\$ 1,013,614</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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

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. \$ 2,204,300

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%. 4,609,722

Total Government Activities \$ 6,814,022

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. \$ 464,225

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. 760,376

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. 3,020,700

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. 2,307,462

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. 1,233,156

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

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.	\$ 116,270
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, 2020. At year end, the interest rate was 2.76%.	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%.	1,743,565
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.	996,728
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.	222,528
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.	127,106
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.	423,622
Loan payable issued by the Delaware Department of Health and Social Services, Division of Public Health in the total amount of \$537,500 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%.	460,110

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

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. \$ 769,699

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. 846,257

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control in the total amount of \$1,705,275 to finance the South Main Street Utility Replacement Project. The loan will have a 20 year term, will bear an interest rate of 2.0%, with all outstanding principal and interest due on January 1, 2039. The Town is still drawing down this loan. 903,525

Loan payable issued by the Delaware Department of Health and Social Services Control in the total amount of \$1,692,100 to finance the South Main Street Utility Replacement Project. The loan will have a 20 year term and will bear an interest rate of 2.0% with all outstanding principal and interest due on July 1, 2039. The Town is still drawing down this loan. 887,933

Total Business-type activities \$ 15,291,110

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

	<u>Principial</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 1,205,812	\$ 527,192	\$ 1,733,004
2021	1,231,959	496,350	1,728,309
2022	1,261,403	463,715	1,725,118
2023	1,385,881	429,467	1,815,348
2024	1,366,106	393,678	1,759,784
2025-2029	6,804,407	1,430,979	8,235,386
2030-2034	3,989,437	603,022	4,592,459
2034-2038	1,370,165	415,007	1,785,172
2039-2043	1,271,961	317,376	1,589,337
2044-2048	1,110,245	208,775	1,319,020
2049-2053	865,546	99,617	965,163
2054-2055	242,210	10,116	252,326
	<u>\$ 22,105,132</u>	<u>\$ 5,395,294</u>	<u>\$ 27,500,426</u>

The Town has issued General Obligation bonds to collateralize the loans payable issued by the Delaware Department of Natural Resources and Environmental Control.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

Authorized Debt

The Town received a binding commitment letter on 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 in the amount of \$1,940,881 for a term of twenty 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, 2019.

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 twenty 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, 2019.

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, 2019, the Town has utilized a total of \$356,880 against this lease purchase agreement.

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, 2019, the Town has utilized a total of \$7,848 against this line of credit.

Compensated Absences

At December 31, 2019, accrued compensated absences for governmental activities totaled \$525,766. This total is comprised of accrued vacation leave of \$187,218, accrued sick leave of \$319,639, and compensatory time of \$18,909. In addition, at December 31, 2019, accrued compensated absences in the business-type activities and proprietary funds totaled \$77,588. This total is comprised of accrued vacation leave of \$43,166 and accrued sick leave of \$34,422.

Capital Leases

The Town has entered into a lease agreement for the financing of new police vehicles and trucks. This capital lease was recorded at the present value of the future minimum lease payments as of the inception date. During 2019 this lease was satisfied and the Town retained the leased vehicles.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

The Town has also entered into a separate lease arrangement with PNC 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:

	Governmental Activities	Business-Type Activities	Total
Machinery and Equipment	\$ 326,763	\$ 271,253	\$ 598,016
Less: Accumulated Depreciation	(77,535)	(17,208)	(94,743)
	\$ 249,228	\$ 254,045	\$ 503,273

The governmental activities minimum lease payment amounted to \$74,656 in 2019. In the business-type activities, the minimum lease payments amounted to \$18,476 in 2019.

The future lease payments under the capital lease at December 31, 2019 are as follows:

2020	\$	78,968
2021		78,968
2022		78,968
2023		58,597
2024		38,225
2025-2026		57,337
Less: Amount representing interest		(34,183)
Present value of future minimum lease payments	\$	356,880

Operating Leases

The Town is leasing vehicles under operating leases. The total cost for such leases was \$69,165 in 2019. The future minimum lease payments for these leases are as follows for the years ending December 31:

2020	\$	22,721
2021		3,555
2022		343
2023		257
Total	\$	26,876

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 6: INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2019 was as follows:

<u>Interfund Transfer</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ -	\$ 869,510
Capital Improvement Fund	2,481,995	2,499,171
Water and Sewer Fund	1,791,457	1,931,252
Electric Fund	<u>1,577,224</u>	<u>550,743</u>
Total	<u>\$ 5,850,676</u>	<u>\$ 5,850,676</u>

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

NOTE 7: LOAN RECEIVABLE

The Town is a participant in the United States Department of Agriculture (“USDA”) Rural Economic Development/Rural Microentrepreneur Assistance Program, which allows for the establishment and operation of a revolving loan fund to finance approved economic development projects. The activity of the revolving loan is recorded in the Slum Clearance and Redevelopment Fund. The annual payments to the Town are as follows for the year ending December 31, 2019:

<u>Year Ending</u>	
2020	\$ 36,155
2021	36,155
2022	36,155
2023	36,155
2024	31,276
Thereafter	<u>47,500</u>
	<u>\$ 223,396</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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 8: RENTAL INCOME - CONTINUED

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 2019 totaled \$24,102.

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 2019 totaled \$26,660.

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, 2052. The lease calls for annual payments to be made in the amount of \$7,750 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 2019 totaled \$7,750.

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 terminated on July 31, 2019. Lease revenue recognized for this lease in 2019 totaled \$6,825.

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 with options for automatic renewals. 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 2019 totaled \$24,000.

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

<u>Combined</u>		
2020	\$	72,898
2021		37,463
2022		39,013
2023		39,013
2024		39,013
Therafter		<u>521,079</u>
	\$	<u><u>748,479</u></u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 9: FUND BALANCE

As of December 31, 2019, 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	\$ 19,811	\$ -	\$ -	\$ 19,811
Restricted:				
Police	-	-	93,082	93,082
Public works	-	-	715,358	715,358
Committed:				
Capital Projects	1,990,952	944,559	-	2,935,511
Unassigned	<u>208,561</u>	<u>-</u>	<u>-</u>	<u>208,561</u>
Total Fund Balances	<u>\$ 2,219,324</u>	<u>\$ 944,559</u>	<u>\$ 808,440</u>	<u>\$ 3,972,323</u>

During 2013, the Town established a Budget Reserve Account as passed by Town Ordinance. The Budget Reserve Account will be \$3,000,000 or 10% of the General Fund operating budget (excluding extraordinary or onetime items), whichever is greater. As of December 31, 2019, 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, 2019 is as follows:

Governmental Activities	
Total capital assets, net	\$ 25,750,369
Less: outstanding debt	<u>(6,947,055)</u>
Total Net Investment in Capital Assets	<u>\$ 18,803,314</u>
Business-type Activities:	
Total capital assets, net	48,905,000
Less: outstanding debt	<u>(15,514,957)</u>
Total Net Investment in Capital Assets	<u>\$ 33,390,043</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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:

COMBINING STATEMENT OF NET POSITION - PENSION TRUST FUNDS
DECEMBER 31, 2019

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 729,662	\$ 279,962	\$ 1,009,624
Prepaid expense	19,813	38,262	58,075
Accounts receivable	-	-	-
Contributions receivable	29,756	48,937	78,693
Interest receivable	-	28,209	28,209
Investments, at fair value			
Equities	-	1,344,375	1,344,375
Mutual funds	98,774	1,562,239	1,661,013
Fixed income	-	4,539,856	4,539,856
Exchange-traded funds	118,885	-	118,885
Insurance contracts	2,015,744	1,881,887	3,897,631
TOTAL ASSETS	<u>\$ 3,012,634</u>	<u>\$ 9,723,727</u>	<u>\$ 12,736,361</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 11: DEFINED BENEFIT PENSION PLANS - CONTINUED

COMBINING STATEMENT OF NET POSITION - PENSION TRUST FUNDS - CONTINUED
DECEMBER 31, 2019

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 30,142	\$ 29,819	\$ 59,961
NET POSITION			
Assets held in trust for employee pension benefits	<u>2,982,492</u>	<u>9,693,908</u>	<u>12,676,400</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,012,634</u></u>	<u><u>\$ 9,723,727</u></u>	<u><u>\$ 12,736,361</u></u>

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Contributions:			
Employer contribution	\$ -	\$ 529,975	\$ 529,975
Employee contribution	28,145	40,302	68,447
Total Contributions	<u>28,145</u>	<u>570,277</u>	<u>598,422</u>
Investment income:			
Interest and dividends	100,562	333,128	433,690
Net appreciation (depreciation) in fair value of investments	<u>111,524</u>	<u>938,721</u>	<u>1,050,245</u>
Total Investment Income	212,086	1,271,849	1,483,935
Less investment expense	<u>24,524</u>	<u>104,693</u>	<u>129,217</u>
Net Investment Income	187,562	1,167,156	1,354,718
TOTAL ADDITIONS	<u>215,707</u>	<u>1,737,433</u>	<u>1,953,140</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 11: DEFINED BENEFIT PENSION PLANS - CONTINUED

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
DEDUCTIONS			
Benefits Paid	\$ 316,751	\$ 449,212	\$ 765,963
Administrative expenses	2,215	3,183	5,398
TOTAL DEDUCTIONS	<u>318,966</u>	<u>452,395</u>	<u>771,361</u>
CHANGE IN NET POSITION	(103,259)	1,285,038	1,181,779
NET POSITION, Beginning of Year	<u>3,085,751</u>	<u>8,408,870</u>	<u>11,494,621</u>
NET POSITION, End of Year	<u>\$ 2,982,492</u>	<u>\$ 9,693,908</u>	<u>\$ 12,676,400</u>

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

NOTE 12: POLICE PENSION PLANS

Town Police Pension Plan

Plan Description and Provisions

The Town has had in effect since January 1, 1966 the Town of Smyrna, Inc. Employee’s Pension Trust Retirement Plan for full-time police officers of the Town, to which it made contributions for the purpose of providing benefits for its eligible employees and their beneficiaries, in the manner and to the extent set forth in such plan, which plan was spun-off in 1975 into two plans: the Pension Plan for Full-Time City Employees of the Town of Smyrna and the Pension Plan for Full-Time Police Officers of the Town of Smyrna. The financial records are maintained on a plan year which begins each January 1 and ends on December 31.

The Town's Police Pension Plan (“the Plan”) is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. Police officers are required to contribute 7% of compensation (base earnings plus longevity) beginning July 1, 2011, accumulated at an annual compound rate of interest of 5% per year. During 2017, the Town began participating in the State of Delaware Public Employees Retirement System County and Municipal Police and Firefighters’ Pension Plan (“DPERS”). At the end of 2016, based on an agreement between the Town and the Fraternal Order of Police, five officers who were transferred to DPERS returned to the Town’s Police Pension Plan as active members; in future years, these five officers will be required to contribute to the Plan based on the requirements described above. The Town is required to contribute at

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

an actuarially determined rate. In 2019, the police officer contributions totaled \$28,145. There were no employer contributions to the plan in 2019.

The Plan is administered by the Committee (“Plan Administration”), which is comprised of the Mayor and Town Council. The Committee is fully responsible for the plan's administration, including eligibility for participation and determination of benefits. The Town Council has delegated the authority to manage certain plan assets to Aetna Life Insurance Company and Lincoln Financial Securities Corporation.

The Plan does not issue a stand-alone financial report but is included in these financial statements.

As of January 1, 2019, the date of the most recent actuarial report, Plan membership consisted of the following:

Active employees	5
Terminated vested participants	5
Retirees and beneficiaries currently receiving benefits	<u>13</u>
	<u><u>23</u></u>

Plan benefit provisions are as follows:

Except for five active officers, the Plan was closed to new participants effective January 1, 2016.

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

The Plan provides for normal retirement at the earlier of attainment of age 50 and completion of 10 years of participation or completion of 20 years of vesting service, however, no later than the attainment of age 62 and completion of five years of vesting service.

Participant benefits are based on 2½% of the three highest years of average compensation multiplied by benefit service plus 1.0% of highest average compensation multiplied by benefit service earned after June 30, 2011 in excess of 20 years.

There is no provision for early retirement.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

Plan member contributions are recognized in the period in which the contributions are due. The Town's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The Plan's unallocated insurance contracts are valued at withdrawal value. Withdrawal value represents the amount which was available for withdrawal in a lump sum as of December 31, 2019 before assessment of any outstanding service fees calculated using the current basis for computing Market Value Adjustments for the contracts. The Plan's allocated insurance contracts are valued at contract value. Contract value represents the amount held under the contract for the purchase of annuities and for the payment of administrative expenses charged by the insurance company.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned. At December 31, 2019, the carrying amount of the Plan's deposits was \$729,662, and the bank balance was \$729,662. Of this amount, \$726,911 was insured or registered and the securities held by the Town or its agent in the Town's name, and \$2,751 was equal to the deposits in a money market fund held by the trustee of the pension plan in the Town's name.

Investments

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

As of December 31, 2019, the Plan had the following investments:

<u>Investments Held at Fair Value</u>	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds	\$ 98,774	\$ 98,774
Exchange traded funds	118,885	118,885
	217,659	\$ 217,659
<u>Investments Measured at Contract Value</u>		
Fixed income insurance contracts	2,015,744	
	\$ 2,233,403	

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

Administrative Costs

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

Funding Policy

The Town intends to continue to fund the actuarially determined contribution (“ADC”) as provided for in the actuarial valuation. The current year contributions are based on the parameters set forth in the actuarial valuation report as of January 1, 2019 in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards. The funding may be impacted by differences in actual experience and the actuarial assumptions. The employer contributions are considered by the actuaries in their determination of the actuarially determined contribution. The actuarially determined contribution conforms to the entry age normal cost method as defined in the GASB Codification.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

Asset Allocation and Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and asset correlation. The asset allocation as of December 31, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Category Allocation	Target Allocation	Long-term Expected Rate of Return
Cash	0.83%	0.09%
Fixed income	14.74%	1.06%
Mutual funds	18.47%	5.55%
AETNA insurance contracts	65.96%	2.26%
	100%	

Discount Rate

The discount rate used to measure the Town's total pension liability is 4.50%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Net Pension Liability

The Plan's net pension liability was determined using a measurement date of December 31, 2019. The total pension liability was determined by an actuarial valuation as of January 1, 2019, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date. The net pension liability of \$4,991,508 is measured as the difference between the total pension liability of \$7,794,000 and the fiduciary net position of \$2,982,492.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

The components of the net pension liability of the Plan at December 31, 2019 are as follows:

Total pension liability	\$ 7,974,000
Fiduciary net pension	<u>2,982,492</u>
Net pension liability	<u>\$ 4,991,508</u>
Plan fiduciary net pension as a percentage of the total pension liability	37.40%

The Town's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2019 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2018	<u>\$ 7,614,000</u>	<u>\$ 3,085,751</u>	<u>\$ 4,528,249</u>
Changes for the year			
Service cost	111,578	-	111,578
Interest on total pension liability	340,603	-	340,603
Effect of economic/demographic gains or losses	102,802	-	102,802
Effect of assumption changes or inputs	121,768	-	121,768
Benefits payments	(316,751)	(316,751)	-
Member contributions	-	28,145	(28,145)
Net investment income	-	187,562	(187,562)
Administrative expenses	<u>-</u>	<u>(2,215)</u>	<u>2,215</u>
Net Changes	<u>360,000</u>	<u>(103,259)</u>	<u>463,259</u>
Balance at December 31, 2019	<u>\$ 7,974,000</u>	<u>\$ 2,982,492</u>	<u>\$ 4,991,508</u>

As of December 31, 2019, the net pension liability of \$4,991,508 is a liability related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

Sensitivity Analysis

The following presents the net pension liability of the Pension Plan for Full-Time Policemen of the Town of Smyrna, calculated using the discount rate of 4.50%, as well as what the Town of Smyrna's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.50%) or 1 percentage point higher (5.50%) than the current rate.

	1% Decrease 3.5%	Current Discount Rate 4.5%	1% Increase 5.5%
Net pension liability	\$ 6,243,508	\$ 4,991,508	\$ 3,987,508

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, 2019 the annual money-weighted rate of return on the Plan investments, net of investment expense was 6.48%. 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, 2019, the Plan recognized pension expense of \$722,561. At December 31, 2019, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows
Change of assumptions	\$ 60,884
Differences between actual and expected experience	51,401
Differences between actual and projected investment returns	50,113
Total Deferred Outflows	\$ 162,398

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

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

Year Ending December 31,	
2020	\$ 144,287
2021	22,531
2022	6,615
2023	(11,035)
	\$ 162,398

The following actuarial methods and assumptions were used in the January 1, 2019 actuarial valuation.

Actuarial Methods and Significant Assumptions	
Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization method	7 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%, net of investment expense including inflation of 2.3%
Discount rate	4.50%
Projected salary increases	Varies by years of employment. Underlying 3% wage inflation reflecting wage progression and longevity increases.
Cost of living adjustments	N/A
Mortality	PUBS-2010 Mortality Tables for Public Safety employees projected on an generational basis using scale MP-2019, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date.
Changes in Actuarial Assumptions or Methods	The base mortality table was modified from the RP-2000 Combined Mortality Tables to the PUBS-2010 Mortality Tables. The projected mortality improvement scale was updated to MP-2019.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

The above information regarding the Plan was taken from the January 1, 2019 Actuarial Valuation presented by Milliman, Inc., dated March 25, 2020.

County and Municipal Police and Firefighters' Pension Plan

Effective January 1, 2016, the Town began participating in the State of Delaware Public Employees Retirement System County and Municipal Police and Firefighters' Pension Plan ("DPERS Police Plan") for active uniformed police officers. In December 2015, the Town started to transfer plan assets from the single-employer defined benefit plan established and administered by the Town to the DPERS Police Plan for uniformed police officers. Subsequently, as of December 31, 2016, based on an agreement between the Town and the Fraternal Order of Police, five officers have returned as participants in the Town's police pension plan for full-time policemen with full service restored as if participation in the Plan had not ceased. Corresponding assets and liabilities have been returned to the Plan for the five officers.

Plan Description

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

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

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

At December 31, 2019 the Town's membership in this plan is comprised of 19 active employees that are vested.

Benefits Provided

Service Benefits

The DPERS Police Plan's service benefits calculation is 2.5% of the final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation (excluding overtime and special pay). Vesting is at five years of credited service, and retirement age is 62 with five years of service; age plus credited service (but not less than ten years) equals 75 or 20 years of credited service.

Disability Benefits

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

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

Non-duty: calculated in the same manner as service benefits. Total disability benefits are subject to a minimum of 50% of final average monthly compensation plus 5% for each dependent, not to exceed 20% for all dependents. Partial disability benefits are subject to a minimum of 30% of the final average monthly compensation.

Survivor Benefits

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

Contributions

Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 16.68% for the period January to June 2019, and 16.84% for the period June to December 2019. The Town's contributions of \$230,454 for 2019 were equal to the required contribution for the year. Total eligible full-time wages covered by the DPERS Police Plan for the year totaled \$1,362,282.

Member contributions are established at 7% of covered wages.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

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

At December 31, 2019, the Town reported a liability of \$403,856 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The Town's proportionate share of the net pension liability was based on the percentage of actual contributions and was measured as the difference between its proportionate share of the total pension liability (\$5,983,261) and its proportionate share of the DPERS Police Plan's fiduciary net position (\$5,579,405). As of December 31, 2019, the Town's proportionate share of the net pension liability of \$403,856 is a liability related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position. At June 30, 2019, the Town's proportion of the collective net pension liability was 1.4060%.

For the year ended December 31, 2019, the DPERS Police Plan recognized pension expense of \$42,624. At December 31, 2019, 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	\$ 78,978	\$ 246,919
Difference between actual and expected investment returns	-	3,885
Changes of assumptions	39,173	93,079
Changes in proportions	14,301	36,667
Contributions made subsequent to the measurement date	-	125,321
	<u>\$ 132,452</u>	<u>\$ 505,871</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 ending December 31, 2020.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

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

Year Ending December 31,	
2020	\$ 59,614
2021	(8,094)
2022	22,894
2023	54,074
2024	31,151
Thereafter	88,459
	\$ 248,098

The following actuarial methods and assumptions were used in the June 30, 2018 actuarial valuation.

Actuarial Methods and Significant Assumptions	
Investment rate of return	7.00%
Discount rate	7.00%
Inflation rate	2.50%
Projected salary increase	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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

Asset Allocation and Long-term Expected Rate of Return

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

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

Category Allocation	Target Allocation	Long-term Expected Rate of Return
Domestic equity	29.5%	5.70%
International equity	13.5%	5.70%
Fixed income	27.1%	2.00%
Alternative investments	22.4%	7.80%
Cash and equivalents	7.5%	0.00%
	100%	

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12: POLICE PENSION PLANS - CONTINUED

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

The following presents the net pension liability of the DPERS Police Pension Plan, calculated using the discount rate of 7.00%, 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:

	<u>1% Decrease</u> 6.0%	<u>Current</u> <u>Discount Rate</u> 7.00%	<u>1% Increase</u> 8.00%
Net pension liability (asset)	<u>\$ 1,326,603</u>	<u>\$ 403,856</u>	<u>\$ (348,843)</u>

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.

NOTE 13: EMPLOYEES' PENSION PLANS

Town Employee Pension Plan

Plan Description and Provisions

The Town's Full-Time Employees Pension Plan ("the Plan") is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. Union participants are required to contribute 3% of annual compensation in excess of \$6,000 on or after January 1, 2013. Non-union participants are required to contribute 2.5% of annual compensation in excess of \$10,000 on or after January 1, 2013. Contributions are accumulated at an annual compound rate of interest of 5% per year. Employee contributions totaled \$40,302 in 2019. The Town is required to contribute an actuarially determined rate.

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

The Plan is administered by the Committee ("Plan Administration"), which is comprised of the Mayor and Town Council. The Committee is fully responsible for the Plan's administration, including eligibility for participation and determination of benefits. The Town Council has delegated the authority to manage certain plan assets to Aetna Life Insurance Company and Lincoln Financial Securities Corporation.

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

As of January 1, 2019, the date of the most recent actuarial report, Plan membership consisted of the following:

Active employees	32
Terminated vested participants	19
Retirees and beneficiaries currently receiving benefits	26
	77

Plan benefit provisions are as follows:

All full-time employees are eligible to participate in the Plan after completing one year of service, if they have attained their 21st birthday and 1,000 hours of continuous employment during the plan year. Union employees hired on or after January 1, 2012 and non-union employees hired on or after March 1, 2012 are not eligible to participate in the plan.

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

	Union	Nonunion
Before January 1, 2006	2.00%	2.00%
January 1, 2006 - December 31, 2011	2.50%	2.50%
January 1, 2012 - February 29, 2012	1.67%	2.50%
March 1, 2012 and after	1.67%	2.25%

The Plan provides for normal retirement at age 65 and completion of five years of participation, or completion of 25 years of vesting service.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

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

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

Basis of Accounting

The Plan's policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period on which the contributions are due. The Town's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The plan's unallocated insurance contracts are valued at withdrawal value. Withdrawal value represents the amount which was available for withdrawal in a lump sum as of December 31, 2019 before assessment of any outstanding service fees calculated using the current basis for computing Market Value Adjustments for the contracts. The Plan's allocated insurance contracts are valued at contract value. Contract value represents the amount held under the contract for the purchase of annuities and for the payment of administrative expenses charged by the insurance company.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned. At December 31, 2019, the carrying amount of the Plan's deposits was \$279,962, and the bank balance was \$279,962. Of this amount, \$150,804 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$129,548 was equal to the deposits in a money market fund held by the trustee of the pension plan in the Town's name.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

Investments

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

As of December 31, 2019, the Plan had the following investments:

	Fair Value	Level 1	Level 2
<u>Investments Held at Fair Value:</u>			
Equities	\$ 1,344,375	\$ 1,344,375	\$ -
Mutual funds	1,562,239	1,562,239	-
Fixed income	4,539,856	-	4,539,856
	7,446,470	\$ 2,906,614	\$ 4,539,856
<u>Investments Measured at Contract Cost:</u>			
Fixed income insurance contracts	1,881,887		
	\$ 9,328,357		

Investments in external investment pools, such as those in mutual funds and fixed income insurance contracts, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2019, the Plan's fixed income investments had the following risk characteristics:

Investment Type	Portfolio Rating	Investment Rating Source	Investment Value
Asset backed securities	AA+,AAA	S&P, MOODY	\$ 1,803,304
Corporate bonds	A TO NR	S&P, MOODY	2,327,816
Municipal bonds	A,A+,AA-, BBB+	S&P, MOODY	184,150
U.S. Treasury/Agency Securities	NR	S&P, MOODY	224,586
Total Fixed Income Securities			\$ 4,539,856

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

Administrative Costs

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

Funding Policy

The Town intends to continue to fund the actuarially determined contribution (“ADC”) as provided for in the actuarial valuation. The current year contributions are based on the parameters set forth in the actuarial valuation report as of January 1, 2019 in accordance with the GASB Codification. The funding may be impacted by differences in actual experience and the actuarial assumptions. The employer contributions are considered by the actuaries in their determination of the actuarially determined contribution. The actuarially determined contribution conforms to the entry age normal cost method as defined in the GASB Codification.

Asset Allocation and Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and asset correlation. The asset allocation as of December 31, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Cash	2.05%	0.09%
Fixed Income	49.29%	0.99%
Mutual Funds	30.77%	5.34%
AETNA Insurance Contract	17.89%	2.49%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Town’s total pension liability is 4.5%. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

Net Pension Liability

The Plan's net pension liability was determined using a measurement date of December 31, 2019. The total pension liability was determined by an actuarial valuation as of January 1, 2019, calculated based on the discount rate and actuarial assumptions and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$3,980,092 and is measured as the difference between the total pension liability of \$13,674,000 and the fiduciary net position of \$9,693,908. The components of the net pension liability of the Plan at December 31, 2019 are as follows:

Total pension liability	\$ 13,674,000
Fiduciary net position	<u>9,693,908</u>
Net pension liability	<u>\$ 3,980,092</u>
Plan fiduciary net position as a percentage of the total pension liability	70.89%

The Plan's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2019 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2018	\$ 11,991,000	\$ 8,408,870	\$ 3,582,130
Changes for the year:			
Service cost	234,363	-	234,363
Interest on total pension liability	630,191	-	630,191
Effect of economic or demographic gains or losses	(215,736)	-	(215,736)
Effect of assumption changes or inputs	1,483,394	-	1,483,394
Benefit payments	(449,212)	(449,212)	-
Employer contributions	-	529,975	(529,975)
Member contributions	-	40,302	(40,302)
Net investment income	-	1,167,156	(1,167,156)
Administrative expenses	-	(3,183)	3,183
Net Changes	<u>1,683,000</u>	<u>1,285,038</u>	<u>397,962</u>
Balance at December 31, 2019	<u>\$ 13,674,000</u>	<u>\$ 9,693,908</u>	<u>\$ 3,980,092</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

As of December 31, 2019, \$1,800,033 of the net pension liability is a liability related to the governmental funds and is recorded in the government-wide statement of net position. The remaining \$2,180,059 of the net pension liability is recorded as a liability in the Water and Sewer Fund for \$1,098,343 and in the Electric Fund for \$1,081,716 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

Sensitivity Analysis

The following presents the net pension liability of the Pension Plan for Full-Time City Employees of the Town of Smyrna, calculated using the discount rate of 4.50%, as well as what the Town of Smyrna's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.50%) or 1 percentage point higher (5.50%) than the current rate.

	1% Decrease 3.5%	Current Discount Rate 4.5%	1% Increase 5.5%
	<u> </u>	<u> </u>	<u> </u>
Net pension liability	<u>\$ 6,054,092</u>	<u>\$ 3,980,092</u>	<u>\$ 2,272,092</u>

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, 2019, the annual money-weighted rate of return on the Plan investments, net of investment expense was 13.86%. 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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions

For the year ended December 31, 2019, the Town recognized pension expense of \$1,029,271. At December 31, 2019, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows	Deferred Outflows
Differences between actual and expected experience	\$ 249,028	\$ 195,285
Change of assumptions	13,604	1,380,242
Difference between actual and projected investment returns	257,884	-
Total Deferred Outflows and Inflows	\$ 520,516	\$ 1,575,527

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

Year Ending December 31,	
2020	\$ 516,315
2021	364,008
2022	319,216
2023	(144,528)
	\$ 1,055,011

The following actuarial methods and assumptions were used in the January 1, 2019 funding valuation.

Actuarial Methods and Significant Assumptions	
Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization method	7 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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

Actuarial Methods and Significant Assumptions - Continued

Actuarial assumptions:	
Investment rate of return	4.50% - Decreased from 5.25% at December 31, 2018
Discount rate	Decreased from 5.25% at December 31, 2018 and bifurcated as follows:
Funded benefits discount rate	4.50%
Unfunded benefits discount rate	2.74% - at the Bond Buyer General Obligation 20-Bond Municipal Bond Index
Projected salary increases	3.5% 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%.
Cost of living adjustments	0.00%
Mortality	The mortality rates from the 2006 base year of the RP-2014 Mortality Tables were projected with Mortality Improvement Scale MP2019 on a generational basis, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date. The mortality rates were updated from the RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for preretirement, as of December 31, 2018.

The above information regarding the Plan was taken from the January 1, 2019 Actuarial Valuation presented by Milliman, Inc., dated March 25, 2020.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

This is a contributory plan with the employee contributing 3% of earnings in excess of \$6,000. For the year ended December 31, 2019, \$956,687 in payroll earnings were reported to and covered by the plan.

The Town's contribution percentages were 7.29% for the period January 1, 2019 through June 30, 2019, and 7.28% for the period July 1, 2019 through December 31, 2019. The Town's contributions to the plan for the year ended December 31, 2019 totaled \$82,923 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, 2019, the Town's membership in this plan is comprised of 24 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 7.28% and 7.29% 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, 2019, the Town reported a liability of \$112,865 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with updated procedures used to roll forward the total pension liability to June 30, 2019. 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 (\$1,555,077) and its proportionate share of the DPERS Employee Plan's fiduciary net position (\$1,442,212). At June 30, 2019, the Town's proportion of the collective net pension liability was 2.4638%.

As of December 31, 2019, \$92,950 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 \$19,915 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, 2019, the DPERS Employee Plan recognized a government-wide net negative pension expense of \$13,277. At December 31, 2019, 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	\$ 37,213	\$ 44,239
Difference between actual and expected investment returns	-	1,871
Changes of assumptions	-	37,542
Changes in proportions	2,095	21,357
Contributions made subsequent to the measurement date	-	42,984
	<u>\$ 39,308</u>	<u>\$ 147,993</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 ending December 31, 2020.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

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

<u>Year Ending December 31,</u>	
2020	\$ 18,779
2021	2,278
2022	9,783
2023	17,902
2024	12,038
Thereafter	<u>4,921</u>
	<u>\$ 65,701</u>

The following actuarial methods and assumptions were used in the June 30, 2018 actuarial valuation.

<u>Actuarial Methods and Significant Assumptions</u>	
Investment rate of return	7.00%
Discount rate	7.00%
Inflation rate	2.50%
Projected salary increase	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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

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:

Category Allocation	Target Allocation	Long-term Expected Rate of Return
Domestic equity	29.50%	5.70%
International equity	13.50%	5.70%
Fixed income	27.10%	2.00%
Alternative investments	22.40%	7.80%
Cash and equivalents	7.50%	0.00%
	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 6.0%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (asset)	\$ 353,900	\$ 112,865	\$ (85,075)

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

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.

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)	\$ 4,991,508	\$ 162,398	\$ -
DPERS Police (See note 12)	403,856	505,871	132,452
Employee (See note 13)	3,980,092	1,575,527	520,516
DPERS Employee (See note 13)	112,865	147,993	39,308
	<u>\$ 9,488,321</u>	<u>\$ 2,391,789</u>	<u>\$ 692,276</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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 15: POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS - CONTINUED

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.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 15: POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS - CONTINUED

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, 2019:

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

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, 2019 totaled \$208,000.

Actuarial Methods and Significant Assumptions:

Discount Rate: 2.74% per annum as of December 31, 2019 based on the applicable Bond Buyer General Obligation 20-Bond Municipal Bond Index. The discount rate decreased from 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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 15: POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS - CONTINUED

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.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 15: POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS - CONTINUED

OPEB Liability

The Town's OPEB liability has been measured as of December 31, 2019. The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, 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.

Balance at December 31, 2018	\$ 9,140,000
Service cost	432,000
Interest on total OPEB liability	388,236
Effect of assumption changes or inputs	1,803,493
Benefit payments	(164,129)
Implicit rate subsidy payments	<u>(43,600)</u>
Net Changes	<u>2,416,000</u>
Balance at December 31, 2019	<u><u>\$ 11,556,000</u></u>

Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the discount rate of 2.74%, 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 (1.74%) or one percentage point higher (3.74%) than the current rate.

	<u>1% Decrease</u> 1.74%	<u>Discount Rate</u> 2.74%	<u>1% Increase</u> 3.74%
Total OPEB liability	<u>\$ 13,529,000</u>	<u>\$ 11,556,000</u>	<u>\$ 9,957,000</u>

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 15: POSTEMPLOYMENT POLICE AND NON-UNIFORMED EMPLOYEE RETIREMENT BENEFITS - CONTINUED

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 9,532,000	\$ 11,556,000	\$ 14,167,000

OPEB Expense and Deferred Inflows Related to OPEB

For the year ended December 31, 2019, the Town recognized OPEB expense of \$698,180. At December 31, 2019, the Town had deferred inflows of resources related to the OPEB plan from the following source:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Change in assumptions	\$ 757,405	\$ 1,623,144

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:

Year Ending December 31,	
2020	\$ 85,673
2021	85,673
2022	85,673
2023	85,673
2024	85,673
Thereafter	437,374
	\$ 865,739

NOTE 16: DEFERRED COMPENSATION PLAN

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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.

Participating members have entered into separate power sales agreements effective May 1, 2011 to purchase an interest in the capacity produced by Unit #1 of the Warren F. “Sam” Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. Participating members are entitled to their contractual share of all power supply and ancillary products generated from the existing nominal 45 MW natural gas-fired combustion turbine generator for the useful life of the facility.

Participating members have entered into separate power sales agreements effective May 1, 2011 to purchase an interest in the capacity produced by Unit #2 of the Warren F. “Sam” Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. Unit #2 went into commercial operation June 1, 2013. Participating members are entitled to their contractual share of all power supply and ancillary products generated from the Unit #2 nominal 50 MW natural gas-fired combustion turbine generator for the useful life of the facility.

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

NOTE 18: COMMITMENTS AND CONTINGENCIES

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 18: COMMITMENTS AND CONTINGENCIES - CONTINUED

As of December 31, 2019, the Town has incurred costs of \$1,591,866 for capital improvement projects that are not under formal commitments.

As of December 31, 2019, the town is committed to infrastructure improvements for the South Main Street Replacement Project. Construction commitments are as follows:

	Contract Amount	Completed Through December 31, 2019	Remaining Commitments
South Main Utility Replacement Project	\$ 4,088,695	\$ 1,795,605	\$ 2,293,090

NOTE 19: RISK MANAGEMENT

The Town maintains commercial insurance coverage for risk of losses relating to general, automotive, police professionals, public officials, and crime. There has been no significant change in coverage, and there have been no losses above insurance limits during the past year or the three prior years.

NOTE 20: UNEARNED REVENUES

The Town received an advance payment of impact fees totaling \$931,241 in the General Fund. As of December 31, 2019, only an amount totaling \$663,272 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$267,969 has been classified as a liability and will be recognized as revenue over time as the Town is able to establish an enforceable legal claim to these resources.

NOTE 21: SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to instability in financial markets.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 21: SUBSEQUENT EVENTS - CONTINUED

Effective March 24, 2020, the Town took the following steps to address the impact of the pandemic on its citizens:
Reduced water, sewer, and electric rates for services provided during the period April 2020 through December 2020.

No late fees were assessed on outstanding balances or disconnects performed during April and May 2020.

The Town may experience delays in collecting charges for services and outstanding balances which may result in significant uncollectible balances as a result of the pandemic. The actual impact, if any, cannot be determined at this time.

The Town's investment portfolios have a long-term strategy; however, these investments have experienced increased volatility and significant fluctuations in fair value since December 31, 2019. Such changes in market value and possible changes to the actuarial assumptions used in determining the net pension liability, such as discount rates and rates of retirement and termination as a result of the COVID-19 outbreak may result in significant changes to the total amount of liability, deferred inflows, deferred outflows, and pension expense in future periods. However, the actual impact, if any, cannot be determined at this time.

The Town entered into a Master Equipment Lease-Purchase Agreement for two pieces of industrial equipment on September 23, 2020. The term of the lease is ten years and total payments are \$347,095 over the term.

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

NOTE 22: PRIOR PERIOD RESTATEMENT

The Town recorded in error in previous years certain revenue items that did not meet the current financial resources measurement focus in the General Fund. In addition, the Town did not recognize in error in certain previous years' revenue items in the General Fund. The net result of these corrections is a restatement to increase the General Fund beginning Fund Balance and Governmental Activities beginning net position totaling \$56,314.

The Town also recorded in error in previous years certain revenue items that are not collectible in the electric fund. The net result of this correction is a restatement to reduce the beginning net position and business-type activities net position totaling \$138,503.

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,					
	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 111,578	\$ 109,465	\$ 104,549	\$ -	\$ 331,406	\$ 327,657
Interest on total pension liability	340,603	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	102,802	338,389	78,215	1,056	(498,285)	44,041
Effect of assumption changes or inputs	121,768	-	-	(387,469)	1,372,943	-
Benefit payments	(316,751)	(331,371)	(340,874)	(340,874)	(338,363)	(359,975)
Net change in total pension liability	360,000	437,000	155,000	722,000	(3,616,000)	580,701
Total pension liability, beginning	7,614,000	7,177,000	7,022,000	6,300,000	9,916,000	9,335,299
Total pension liability, ending (a)	\$ 7,974,000	\$ 7,614,000	\$ 7,177,000	\$ 7,022,000	\$ 6,300,000	\$ 9,916,000
FIDUCIARY NET POSITION						
Employer contributions	\$ -	\$ -	\$ -	\$ 49,032	\$ 480,531	\$ 743,174
Member contributions	28,145	22,802	22,704	-	102,816	94,055
Investment income (loss) net of investment expenses	187,562	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	(316,751)	(331,371)	(340,874)	(340,874)	(338,363)	(359,975)
Administrative expenses	(2,214)	(2,060)	(1,944)	(1,866)	(1,728)	(5,035)
Net change in fiduciary net position	(103,258)	(229,044)	(192,707)	586,229	(4,360,330)	635,327
Fiduciary net position, beginning	3,085,751	3,314,795	3,507,502	2,921,273	7,281,603	6,646,276
Fiduciary net position, ending (b)	\$ 2,982,493	\$ 3,085,751	\$ 3,314,795	\$ 3,507,502	\$ 2,921,273	\$ 7,281,603
Net pension liability [(a) - (b)]	\$ 4,991,507	\$ 4,528,249	\$ 3,862,205	\$ 3,514,498	\$ 3,378,727	\$ 2,634,397
Plan fiduciary net position as a percentage of the total pension liability	37.40%	40.53%	46.19%	49.95%	46.37%	73.43%
Covered payroll	\$ 336,232	\$ 334,369	\$ 320,586	\$ 315,474	N/A	\$ 1,381,065
Net pension liability as a percentage of covered payroll	1,484.54%	1,354.27%	1,204.73%	1,114.04%	N/A	190.75%
Annual money-weighted return, net of investment expenses	6.48%	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,					
	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 234,363	\$ 270,693	\$ 294,515	\$ 275,113	\$ 291,036	\$ 307,110
Interest on total pension liability	630,191	594,895	582,060	564,540	530,764	500,216
Effect of economic/demographic (gain) or loss	(215,736)	248,783	(250,777)	135,050	163,217	(34,663)
Effect of assumption changes or inputs	1,483,394	-	-	1,032,549	(81,634)	-
Benefit payments	(449,212)	(363,371)	(351,798)	(345,252)	(304,383)	(194,963)
Net change in total pension liability	1,683,000	751,000	274,000	1,662,000	599,000	577,700
Total pension liability, beginning	11,991,000	11,240,000	10,966,000	9,304,000	8,705,000	8,127,300
Total pension liability, ending (a)	<u>\$ 13,674,000</u>	<u>\$ 11,991,000</u>	<u>\$ 11,240,000</u>	<u>\$ 10,966,000</u>	<u>\$ 9,304,000</u>	<u>\$ 8,705,000</u>
FIDUCIARY NET POSITION						
Employer contributions	\$ 529,975	\$ 279,021	\$ 139,510	\$ 136,425	\$ 305,054	\$ 282,736
Member contributions	40,302	46,479	49,954	52,423	56,961	60,579
Investment income (loss) net of investment expenses	1,167,156	(194,613)	670,461	320,021	(163,460)	83,666
Benefit payments	(449,212)	(363,371)	(351,798)	(345,252)	(304,383)	(194,963)
Administrative expenses	(3,183)	(2,723)	(2,510)	(2,456)	(1,949)	(4,159)
Net change in fiduciary net position	1,285,038	(235,207)	505,617	161,161	(107,777)	227,859
Fiduciary net position, beginning	8,408,870	8,644,077	8,138,460	7,977,299	8,085,076	7,857,217
Fiduciary net position, ending (b)	<u>\$ 9,693,908</u>	<u>\$ 8,408,870</u>	<u>\$ 8,644,077</u>	<u>\$ 8,138,460</u>	<u>\$ 7,977,299</u>	<u>\$ 8,085,076</u>
Net pension liability [(a) - (b)]	<u>\$ 3,980,092</u>	<u>\$ 3,582,130</u>	<u>\$ 2,595,923</u>	<u>\$ 2,827,540</u>	<u>\$ 1,326,701</u>	<u>\$ 619,924</u>
Plan fiduciary net position as a percentage of the total pension liability	70.89%	70.13%	76.90%	74.22%	85.74%	92.88%
Covered payroll	\$ 1,824,878	\$ 2,027,560	\$ 2,058,343	\$ 2,293,689	\$ 2,367,385	\$ 2,446,089
Net pension liability as a percentage of covered payroll	218.10%	176.67%	126.12%	123.27%	56.04%	25.34%
Annual money-weighted return, net of investment expenses	13.86%	-2.26%	8.37%	4.07%	-2.02%	1.05%

Notes to Schedule:

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

In 2016, the effects of economic and demographic gains and/or losses and changes of assumptions relate to the overall demographic changes of participants in the Plan, changes in the assumed retirement age of participants, a decrease in the discount rate from 6.00% to 5.25%, and a decrease in the expected investment rate of return from 6.00% to 5.25%.

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

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>June 30, 2019</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	1.41%	1.48%	1.76%	1.00%
Town's proportion of the net pension liability - dollar value	\$ 403,856	\$ 341,272	\$ 177,377	\$ 158,206
Covered payroll	\$ 1,235,452	\$ 1,230,633	\$ 1,445,647	\$ 725,116
Town's proportionate share of the net pension liability as a percentage of its covered payroll	32.69%	27.73%	12.27%	21.82%
Plan fiduciary net position as a percentage of the total pension liability	93.25%	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, 2019</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	2.46%	2.57%	2.57%	2.01%
Town's proportion of the net pension liability - dollar value	\$ 112,865	\$ 80,815	\$ 166,558	\$ 124,341
Covered payroll	\$ 1,094,405	\$ 931,631	\$ 928,386	\$ 537,427
Town's proportionate share of the net pension liability as a percentage of its covered payroll	10.31%	8.67%	17.94%	23.14%
Plan fiduciary net position as a percentage of the total pension liability	92.74%	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
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%
2019	875,245	-	875,245	336,232	0.00%

Notes to Schedule

Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	7 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 - 2019:

PUBS-2010 Mortality Tables for Public Safety employees projected on a generational basis using Scale MP-2019, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date.

Mortality - Through 2018:

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

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
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%
2019	589,907	529,975	59,932	1,824,878	29.04%

Notes to Schedule

Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	7 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

Actuarial assumptions:

Investment rate of return - 2019	4.50%
Investment rate of return - through 2018	5.25%
Discount rate - 2019	4.50%
Discount rate - through 2018	5.25%
Projected salary increases	3.50%
Cost of living adjustments	0.00%

Mortality - 2019:

The mortality rates from the 2006 base year of the RP-2014 Mortality Tables were projected with Mortality Improvement Scale MP2019 on a generational basis, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date.

Mortality - Through 2018:

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>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Contractually required contribution	\$ 230,454	\$ 173,357	\$ 161,375	\$ 207,487
Contributions in relation to the contractually required contribution	<u>230,454</u>	<u>173,357</u>	<u>161,375</u>	<u>207,487</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,362,282	\$ 1,235,825	\$ 1,275,598	\$ 1,700,501
Contributions as a percentage of covered payroll	16.92%	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
SCHEDULE OF TOWN CONTRIBUTIONS
COUNTY AND MUNICIPAL OTHER EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Contractually required contribution	\$ 82,923	\$ 77,775	\$ 65,561	\$ 56,582
Contributions in relation to the contractually required contribution	<u>82,923</u>	<u>77,775</u>	<u>65,561</u>	<u>56,582</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 956,687	\$ 920,240	\$ 922,197	\$ 866,280
Contributions as a percentage of covered payroll	8.67%	8.45%	7.11%	6.53%

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

TOWN OF SMYRNA
SCHEDULE OF CHANGES IN THE TOWN'S
NET OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018
<u>TOTAL OPEB LIABILITY</u>		
Service cost	\$ 432,000	\$ 488,480
Interest on total OPEB liability	388,236	338,523
Effect of assumption changes or inputs	1,803,493	(946,757)
Benefit payments	(207,729)	(183,491)
NET CHANGE IN TOTAL OPEB LIABILITY	2,416,000	(303,245)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	9,140,000	9,443,245
TOTAL OPEB LIABILITY, END OF YEAR	\$ 11,556,000	\$ 9,140,000
<u>PLAN FIDUCIARY NET POSITION</u>		
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	-	-
Administrative expenses	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-	-
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	\$ -	\$ -
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ -	\$ -
TOWN'S NET OPEB LIABILITY	\$ 11,556,000	\$ 9,140,000
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
Covered payroll	\$ 4,453,460	\$ 4,453,460
OPEB liability as a percentage of covered payroll	259.48%	205.23%

Notes to Schedule:

No assets are accumulated in a trust to pay benefits related to this plan

The changes listed below reflect differences from the January 1, 2015 actuarial valuation in accordance with GASB Statement 45 to the January 1, 2018 actuarial valuation in accordance with GASB Statements 74 and 75. This discount rate is based on the Bond Buyer GO 20-Year Bond Municipal Bond Index in accordance with GASB Statements 74 and 75. The discount rate was 3.44% as of December 31, 2017, 4.10% as of December 31, 2018, and 2.74% as of December 31, 2019.

Per capita claims costs were valued based on the State of Delaware Postretirement Health Plan Actuarial Valuation Report as of July 1, 2018 versus the premiums charged due to a change in actuarial standards.

Healthcare trend assumptions were updated based on the most recent Society of Actuaries Getzen Model.

In accordance with GASB Statements 74 and 75, the actuarial cost method was updated from Projected Unit Credit Method to the Entry Age Normal cost method for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is completed, information for only those years for which information is available is shown.

SUPPLEMENTARY INFORMATION SECTION

TOWN OF SMYRNA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Totals
ASSETS						
Cash and cash equivalents	\$ 526,125	\$ 8,123	\$ 7,557	\$ 34,627	\$ 34,045	\$ 610,477
Accounts receivable	-	-	-	-	-	-
Due from other funds	-	3,581	5,149	-	-	8,730
Investments	189,233	-	-	-	-	189,233
TOTAL ASSETS	\$ 715,358	\$ 11,704	\$ 12,706	\$ 34,627	\$ 34,045	\$ 808,440
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES						
Restricted for:						
Police expenditures	-	11,704	12,706	34,627	34,045	93,082
Public works expenditures	715,358	-	-	-	-	715,358
TOTAL FUND BALANCES	715,358	11,704	12,706	34,627	34,045	808,440
TOTAL LIABILITIES AND FUND BALANCES	\$ 715,358	\$ 11,704	\$ 12,706	\$ 34,627	\$ 34,045	\$ 808,440

TOWN OF SMYRNA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
REVENUES						
Intergovernmental	\$ 241,444	\$ 8,921	\$ 10,277	\$ -	\$ -	\$ 260,642
Investment income	3,917	-	-	-	-	3,917
TOTAL REVENUES	<u>245,361</u>	<u>8,921</u>	<u>10,277</u>	<u>-</u>	<u>-</u>	<u>264,559</u>
EXPENDITURES						
Current:						
Public safety - police	-	2,524	1,520	4,764	40	8,848
Public works	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>2,524</u>	<u>1,520</u>	<u>4,764</u>	<u>40</u>	<u>8,848</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>245,361</u>	<u>6,397</u>	<u>8,757</u>	<u>(4,764)</u>	<u>(40)</u>	<u>255,711</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	245,361	6,397	8,757	(4,764)	(40)	255,711
FUND BALANCES, BEGINNING 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>
FUND BALANCES, END OF YEAR	<u>\$ 715,358</u>	<u>\$ 11,704</u>	<u>\$ 12,706</u>	<u>\$ 34,627</u>	<u>\$ 34,045</u>	<u>\$ 808,440</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Data for December 31, 2018)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals 2019	2018
ASSETS				
Cash and cash equivalents	\$ 729,662	\$ 279,962	\$ 1,009,624	\$ 1,050,370
Contributions receivable	29,756	48,937	78,693	50,293
Interest receivable	-	28,209	28,209	27,405
Prepaid expense	19,813	38,262	58,075	48,671
Investments at fair value:				
Equities	-	1,344,375	1,344,375	1,040,756
Mutual funds	98,774	1,562,239	1,661,013	1,330,482
Fixed income	-	4,539,856	4,539,856	4,274,459
Exchange-traded funds	118,885	-	118,885	95,668
Insurance contracts	2,015,744	1,881,887	3,897,631	3,622,210
TOTAL ASSETS	\$ 3,012,634	\$ 9,723,727	\$ 12,736,361	\$ 11,540,314
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 30,142	\$ 29,819	\$ 59,961	\$ 45,693
NET POSITION				
Assets held in trust for employee pension benefits	2,982,492	9,693,908	12,676,400	11,494,621
TOTAL LIABILITIES AND NET POSITION	\$ 3,012,634	\$ 9,723,727	\$ 12,736,361	\$ 11,540,314

TOWN OF SMYRNA
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Data for December 31, 2018)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals 2019	2018
ADDITIONS				
Contributions:				
Employer contribution	\$ -	\$ 529,975	\$ 529,975	\$ 279,021
Employee contribution	28,145	40,302	68,447	69,281
Returned members plan assets	-	-	-	27,589
Total Contributions	28,145	570,277	598,422	375,891
Investment Income:				
Interest and dividends	100,562	333,128	433,690	406,588
Net appreciation (depreciation) in fair value of investments	111,524	938,721	1,050,245	(418,067)
Total Investment Income	212,086	1,271,849	1,483,935	(11,479)
Less investment expense	24,524	104,693	129,217	129,138
Net Investment Income	187,562	1,167,156	1,354,718	(140,617)
TOTAL ADDITIONS	215,707	1,737,433	1,953,140	235,274
DEDUCTIONS				
Benefits paid	316,751	449,212	765,963	694,742
Administrative expenses	2,215	3,183	5,398	4,783
TOTAL DEDUCTIONS	318,966	452,395	771,361	699,525
CHANGE IN NET POSITION	(103,259)	1,285,038	1,181,779	(464,251)
NET POSITION, BEGINNING OF YEAR	3,085,751	8,408,870	11,494,621	11,958,872
NET POSITION, END OF YEAR	\$ 2,982,492	\$ 9,693,908	\$ 12,676,400	\$ 11,494,621

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The town implemented GASB 34 in fiscal year 2004; schedules presenting governmental wide information include information beginning in that year.

TOWN OF SMYRNA

NET POSITION

Last ten fiscal years ending December 31,

(Unaudited)

Accrual basis of accounting

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities										
Net investment in capital assets	\$ 18,803,314	\$ 15,863,323	\$ 16,211,753	\$ 16,902,771	\$ 17,185,456	\$16,511,140	\$ 17,322,727	\$ 17,800,609	\$ 16,410,827	\$ 16,779,039
Restricted for police	93,082	82,732	57,043	66,073	85,488	68,967	79,954	83,336	93,791	66,301
Restricted for public works	715,358	469,997	247,507	254,131	62,150	92,668	135,830	297,609	524,523	416,287
Unrestricted	<u>(12,710,653)</u>	<u>(11,294,294)</u>	<u>(10,408,860)</u>	<u>(8,731,027)</u>	<u>(7,506,315)</u>	<u>(5,598,175)</u>	<u>(824,096)</u>	<u>352,459</u>	<u>773,079</u>	<u>1,887,933</u>
Total governmental activities net position	<u>\$ 6,901,101</u>	<u>\$ 5,121,758</u>	<u>\$ 6,107,443</u>	<u>\$ 8,491,948</u>	<u>\$ 9,826,779</u>	<u>\$11,074,600</u>	<u>\$ 16,714,415</u>	<u>\$ 18,534,013</u>	<u>\$ 17,802,220</u>	<u>\$ 19,149,560</u>
Business-Type Activities										
Net investment in capital assets	\$ 33,390,043	\$ 30,446,663	\$ 30,592,045	\$ 29,772,917	\$ 28,770,048	\$27,280,269	\$ 27,331,488	\$ 25,581,921	\$ 23,200,177	\$ 23,321,078
Restricted for capital projects	-	-	833,060	729,995	597,161	1,409,939	195,702	236,335	1,036,547	162,953
Restricted for rural economic development	300,000	300,000	300,000	300,000	300,000	-	-	-	-	-
Unrestricted	<u>1,624,729</u>	<u>1,206,364</u>	<u>(189,892)</u>	<u>538,448</u>	<u>1,226,816</u>	<u>178,726</u>	<u>1,602,722</u>	<u>1,231,180</u>	<u>2,516,567</u>	<u>2,255,968</u>
Total business-type activities net position	<u>\$ 35,314,772</u>	<u>\$ 31,953,027</u>	<u>\$ 31,535,213</u>	<u>\$ 31,341,360</u>	<u>\$ 30,894,025</u>	<u>\$28,868,934</u>	<u>\$ 29,129,912</u>	<u>\$ 27,049,436</u>	<u>\$ 26,753,291</u>	<u>\$ 25,739,999</u>
Primary government										
Net investment in capital assets	\$ 52,193,357	\$ 46,309,986	\$ 46,803,798	\$ 46,675,688	\$ 45,955,504	\$43,791,409	\$ 44,654,215	\$ 43,382,530	\$ 39,611,004	\$ 40,100,117
Restricted for police	93,082	82,732	57,043	66,073	85,488	68,967	79,954	83,336	93,791	66,301
Restricted for public works	715,358	469,997	247,507	254,131	62,150	92,668	135,830	297,609	524,523	416,287
Restricted for capital projects	-	-	833,060	729,995	597,161	1,409,939	195,702	236,335	1,036,547	162,953
Restricted for rural economic development	300,000	300,000	300,000	300,000	300,000	-	-	-	-	-
Unrestricted	<u>(11,085,924)</u>	<u>(10,124,409)</u>	<u>(10,598,752)</u>	<u>(8,192,579)</u>	<u>(6,279,499)</u>	<u>(5,419,449)</u>	<u>778,626</u>	<u>1,583,639</u>	<u>3,289,646</u>	<u>4,143,901</u>
Total primary government	<u>\$ 42,215,873</u>	<u>\$ 37,038,306</u>	<u>\$ 37,642,656</u>	<u>\$ 39,833,308</u>	<u>\$ 40,720,804</u>	<u>\$39,943,534</u>	<u>\$ 45,844,327</u>	<u>\$ 45,583,449</u>	<u>\$ 44,555,511</u>	<u>\$ 44,889,559</u>

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

Source: Town financial reports

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities										
General government	\$ 1,487,670	\$ 1,352,992	\$ 1,173,230	\$ 1,280,321	\$ 1,443,523	\$ 894,143	\$ 916,169	\$ 819,583	\$ 979,679	\$ 639,478
Public safety	5,471,858	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
Public works	3,347,632	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
Planning and inspection	863,780	1,036,302	869,710	749,516	633,705	643,618	615,649	686,349	766,442	702,608
Library	434,842	331,280	388,834	376,293	341,392	381,152	341,844	339,695	292,287	245,271
Culture and recreation	358,820	398,277	421,795	407,472	355,338	387,046	312,689	276,295	206,521	325,927
Business park	-	-	-	-	-	-	-	-	10,360	11,155
Neighbourhood housing rehabilitation	-	-	-	-	-	427	335	568	-	-
Interest on long-term debt	208,676	335,916	102,691	174,999	136,471	116,385	114,366	114,348	215,866	143,016
Total governmental activities	<u>12,173,278</u>	<u>11,633,241</u>	<u>10,657,622</u>	<u>10,396,770</u>	<u>11,024,929</u>	<u>10,665,883</u>	<u>10,356,950</u>	<u>10,011,209</u>	<u>9,421,626</u>	<u>8,770,069</u>
Business-type activities										
Electric	12,508,566	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
Water/Sewer	4,212,719	4,447,239	4,053,743	4,063,515	3,664,416	3,375,782	3,395,598	2,965,988	2,879,104	2,918,014
Smyrna slum clearance & redevelopment authority	31,680	27,896	67,231	10,375	12,669	-	-	-	-	-
Total business-type activities	<u>16,752,965</u>	<u>16,924,484</u>	<u>16,590,818</u>	<u>16,954,699</u>	<u>16,004,709</u>	<u>15,350,686</u>	<u>14,868,191</u>	<u>15,013,778</u>	<u>15,547,787</u>	<u>15,613,773</u>
Total primary government expenses	<u>\$ 28,926,243</u>	<u>\$ 28,557,725</u>	<u>\$ 27,248,440</u>	<u>\$ 27,351,469</u>	<u>\$ 27,029,638</u>	<u>\$ 26,016,569</u>	<u>\$ 25,225,141</u>	<u>\$ 25,024,987</u>	<u>\$ 24,969,413</u>	<u>\$ 24,383,842</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 687,653	\$ 671,626	\$ 553,280	\$ 574,466	\$ 183,294	\$ 323,364	\$ 273,283	\$ 242,335	\$ 213,500	\$ 312,924
Public safety	77,459	109,195	127,874	129,685	131,790	131,470	156,739	151,054	118,042	95,411
Public works	1,531,130	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
Planning and inspection	549,839	607,274	429,913	404,847	320,600	479,485	369,639	474,028	323,075	389,704
Library	69,520	83,226	133,556	109,407	87,261	136,257	102,163	96,451	81,233	95,837
Operating grants and contributions	811,774	678,680	676,609	642,231	690,509	593,361	480,870	587,195	734,687	542,594
Capital grants and contributions	3,619,305	368,010	143,091	138,995	1,158,725	-	472,216	2,159,991	732,075	107,875
Total governmental activities	<u>7,346,680</u>	<u>4,006,757</u>	<u>3,503,769</u>	<u>3,397,144</u>	<u>3,926,920</u>	<u>2,987,041</u>	<u>3,115,509</u>	<u>4,874,242</u>	<u>3,341,218</u>	<u>2,609,834</u>
Business-type activities										
Charges for services										
Electric	13,827,922	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
Water/Sewer	4,317,528	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
Smyrna slum clearance & redevelopment authority	24,117	17,933	40,248	35,163	38,601	-	-	-	-	-
Operating grants and contributions	20,978	49,054	54,227	-	300,000	-	-	11,932	21,365	-
Capital grants and contributions	2,949,342	698,455	262,637	115,974	1,309,807	208,102	3,122,453	2,784,485	1,618,655	600,108
Total business-type activities	<u>21,139,887</u>	<u>18,570,128</u>	<u>18,047,710</u>	<u>18,420,983</u>	<u>19,372,055</u>	<u>17,058,683</u>	<u>19,138,010</u>	<u>19,567,918</u>	<u>18,985,040</u>	<u>17,885,188</u>
Total primary government program revenues	<u>\$ 28,486,567</u>	<u>\$ 22,576,885</u>	<u>\$ 21,551,479</u>	<u>\$ 21,818,127</u>	<u>\$ 23,298,975</u>	<u>\$ 20,045,724</u>	<u>\$ 22,253,519</u>	<u>\$ 24,442,160</u>	<u>\$ 22,326,258</u>	<u>\$ 20,495,022</u>
Net (expense)/revenue										
Governmental activities	\$ (4,826,598)	\$ (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)
Business-type activities	4,386,922	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
Total primary government net expense	<u>\$ (439,676)</u>	<u>\$ (5,980,840)</u>	<u>\$ (5,696,961)</u>	<u>\$ (5,533,342)</u>	<u>\$ (3,730,663)</u>	<u>\$ (5,970,845)</u>	<u>\$ (2,971,622)</u>	<u>\$ (582,827)</u>	<u>\$ (2,643,155)</u>	<u>\$ (3,888,820)</u>

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Revenues and Other Changes in Net Position										
Governmental activities										
Real estate taxes	\$ 4,060,318	\$ 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
Real estate transfer taxes	1,232,870	1,367,617	1,239,454	928,231	844,960	619,310	417,320	512,265	361,336	561,542
Franchise fees	219,067	203,907	199,920	191,544	187,919	181,844	169,336	193,997	146,203	143,993
Investment earnings	117,786	52,138	29,436	20,335	4,054	13,341	24,717	14,490	5,827	11,037
Miscellaneous income	32,900	38,312	49,727	49,223	23,349	46,346	16,699	174,438	117,937	193,559
Net (loss) gain on disposal of capital assets	-	-	12,711	-	-	-	-	-	-	-
Transfers	886,686	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
Total governmental activities	6,549,627	6,640,799	6,128,994	5,664,795	5,850,188	5,649,310	5,421,843	5,868,760	4,733,068	4,266,361
Business-type activities										
Investment earnings	12	9	127	100	107	154	546	148	140	121
Net gain (loss) on sale of capital assets	-	-	-	-	-	233,575	-	-	-	-
Transfers	(886,686)	(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)
Total business-type activities	(886,674)	(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)
Total primary government	\$ 5,662,953	\$ 5,412,969	\$ 5,078,912	\$ 4,645,846	\$ 4,507,933	\$ 4,034,891	\$ 3,232,500	\$ 3,243,100	\$ 2,646,487	\$ 2,984,719
Change in Net Position										
Governmental activities	\$ 1,723,029	\$ (985,685)	\$ (1,024,859)	\$ (1,334,831)	\$ (1,247,821)	\$ (2,029,532)	\$ (1,819,598)	\$ 731,793	\$ (1,347,340)	\$ (1,893,874)
Business-type activities	3,500,248	417,814	406,810	447,335	2,025,091	93,578	2,080,476	1,928,480	1,350,672	989,773
Total primary government	\$ 5,223,277	\$ (567,871)	\$ (618,049)	\$ (887,496)	\$ 777,270	\$ (1,935,954)	\$ 260,878	\$ 2,660,273	\$ 3,332	\$ (904,101)

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Nonspendable	\$ 19,811	\$ 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	\$ 1,990,952	2,341,229	2,341,229	\$ -	\$ -	\$ -	\$ -
Unassigned	208,561	206,568	(41,906)	(53,232)	(310,317)	85,949	268,432	506,330	727,425	463,775
Total general fund	<u>\$ 2,219,324</u>	<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>
All other governmental funds										
Committed	\$ 944,559	\$ 822,837	\$ 764,997	\$ 502,055	\$ 1,017,678	\$ 943,576	\$ 3,257,475	\$ 2,927,248	\$ 2,177,953	\$ 2,602,230
Restricted	808,440	552,729	304,550	320,204	147,638	161,635	215,784	380,945	618,314	482,588
Total all other governmental funds	<u>\$ 1,752,999</u>	<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>
Total governmental fund balances	<u>\$ 3,972,323</u>	<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>

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Property taxes	\$ 4,088,867	\$ 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
Transfer taxes	1,232,870	1,367,617	1,239,454	928,231	844,960	619,310	417,320	512,265	361,336	561,542
Special assessment/impact fees	565,687	547,048	422,657	476,427	138,463	294,875	244,709	207,348	182,977	286,527
Charges for services	1,521,806	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
Intergovernmental	901,223	759,202	839,307	815,668	728,779	679,029	1,022,750	873,207	819,827	716,691
Licenses, fees and permits	426,109	429,001	355,821	337,686	334,700	378,076	392,599	336,364	269,741	377,760
Fines and forfeits	126,213	253,750	144,507	123,931	44,542	142,462	123,365	214,892	130,298	87,287
Franchise fees	219,067	203,907	199,919	191,544	187,919	181,844	169,336	193,997	146,203	143,993
Investment income	117,786	52,138	29,435	20,335	4,054	13,341	24,717	14,490	5,827	11,037
Rental income	94,212	92,052	99,087	65,637	6,600	-	-	-	-	-
Miscellaneous	138,979	155,285	211,293	157,360	104,687	153,783	100,844	276,449	185,096	243,616
Total revenues	9,432,819	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
Expenditures										
General government	1,276,128	1,136,187	927,507	1,087,840	1,228,783	632,914	706,987	616,650	747,625	545,586
Public safety	4,246,285	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
Public works	2,441,675	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
Planning and inspection	747,817	950,659	799,665	738,930	577,503	572,085	555,314	633,328	730,730	695,978
Library	393,079	281,216	331,875	319,931	309,270	341,625	295,043	305,978	264,527	234,277
Culture and recreation	271,956	341,730	419,075	336,324	300,727	352,336	304,463	240,646	176,990	313,789
Business park	-	-	-	-	-	-	-	-	10,360	11,155
Neighborhood housing rehabilitation	-	-	-	-	-	427	335	568	-	-
Debt service:										
Principal	301,851	403,044	326,558	4,156,308	154,587	129,000	126,850	122,550	18,640	111,549
Interest	208,732	329,643	102,887	175,064	136,394	116,294	114,261	114,214	88,146	143,232
Bond issuance costs	-	-	-	-	-	-	-	-	66,515	-
Capital outlay	112,498	330,467	103,240	1,568,041	2,683,063	955,183	474,378	416,257	80,925	303,907
Total expenditures	10,000,021	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
Excess of revenues over (under) expenditures	(567,202)	(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)
Other financing sources (uses)										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	-
Issuance of debt	-	312,808	113,591	-	66,405	-	-	-	-	-
Loan issuance	-	-	-	4,920,385	2,679,987	890,009	409,619	-	-	-
Refund of prior year expenditures	-	-	-	-	-	-	-	-	-	-
Transfers in	3,368,681	1,227,839	1,082,896	3,235,283	2,263,353	4,345,977	2,961,419	3,042,322	2,498,977	2,414,739
Transfers out	(2,481,995)	-	(32,687)	(2,216,234)	(920,991)	(2,497,829)	(771,530)	(416,514)	(412,256)	(1,132,976)
Refunding bonds issued	-	-	-	-	-	-	-	-	3,275,000	-
Bond discount	-	-	-	-	-	-	-	-	(46,993)	-
Prepayment of Note	-	-	-	-	-	-	-	-	(3,059,986)	-
Total other financing sources (uses)	886,686	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
Net Change in fund balances	\$ 319,484	\$ 498,718	\$ 249,234	\$ (433,741)	\$ (341,552)	\$ 181,707	\$ (70,877)	\$ 292,324	\$ (146,198)	\$ (906,214)
Debt service as a percentage of noncapital expenditures	5%	8%	5%	34%	4%	3%	3%	3%	1%	3%

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>
2019	\$ 4,088,867	\$ 1,232,870	\$ 5,321,737
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

Notes

- 1) Property tax, tax rate of .4000 of 100% assessed value net of discounts and penalties.
- 2) Transfer taxes equal 1.5% of the real property sales value.

Source: Town financial reports

TOWN OF SMYRNA

ASSESSED VALUE AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY

*Last ten fiscal years ending December 31,
Unaudited*

Fiscal Year	Total Assessed Value	Less: Tax Exempt Property	Real Property		
			Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value
2019	\$1,091,450,566	\$ 135,444,085	\$ 956,006,481	0.44000	*
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	*

* = Information is not available

Reassessment took place in 2006

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

Source: Town of Smyrna Assessment Office

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
2019	0.44000	0.44000	0.30000	0.80400	1.37800	1.73730
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

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	2019			2010		
	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	4.18%	\$ 49,683,100	1	5.95%
Sunnyside Apartments	20,148,800	2	2.11%	**		**
Smyrna Professional Properties	18,239,100	3	1.91%	18,450,400	4	2.21%
Worthington Properties, LLC	18,221,600	4	1.91%	24,096,760	2	2.88%
Smyrna Two LLC	14,487,500	5	1.52%	15,789,900	7	1.89%
Liborio III, LP	12,751,036	6	1.33%	21,729,490	3	2.60%
Glenwood Associates, LLC	11,725,300	7	1.23%	11,725,300	8	1.40%
Goldsborough Rd Dev LLC	7,023,790	8	0.73%	**		**
KRM Development Corp	6,889,500	9	0.72%	**		**
BRENFORD HOLDINGS, LLC	5,306,060	10	0.56%	**		**
DLM, LLC	**		**	18,252,900	5	2.18%
Liborio 3, LLC	**		**	16,713,890	6	2.00%
Eagleview Associates	**		**	9,006,460	9	1.08%
Co, Beiser Group, LLC Co.	**		**	6,852,500	10	0.82%
Total	\$ 154,792,686		16.19%	\$ 192,300,700		23.01%

Source: Town of Smyrna Assessment Office
 ** 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>
2019	\$ 4,209,487	\$ 4,119,651	97.87%	\$ -	\$ 4,119,651	97.87%
2018	3,956,256	3,788,791	95.77%	134,222	3,923,013	99.16%
2017	3,723,797	3,550,507	95.35%	146,547	3,697,054	99.28%
2016	3,641,735	3,523,608	96.76%	88,553	3,612,161	99.19%
2015	3,605,194	3,515,327	97.51%	60,139	3,515,327	97.51%
2014	3,167,387	3,001,773	94.77%	156,647	3,158,420	99.72%
2013	2,753,382	2,595,641	94.27%	111,577	2,707,218	98.32%
2012	2,474,313	2,356,151	95.22%	108,095	2,464,246	99.59%
2011	2,157,403	2,052,853	95.15%	101,016	2,153,869	99.84%
2010	2,101,560	2,020,017	96.12%	81,543	2,101,560	100.00%

(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			
2019	\$ 4,609,722	\$ 133,033	\$ 2,204,300	\$ 12,270,410	\$ 3,020,700	\$ 223,847	\$ 22,462,012	0.30%	1,811
2018	4,692,080	206,326	2,350,500	11,229,968	3,214,500	7,591	21,700,965	0.29%	1,821
2017	4,772,434	74,309	2,492,400	11,964,697	3,402,600	17,224	22,723,664	0.32%	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

(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						
2019	\$	2,204,300	\$	3,020,700	\$ 5,225,000	0.55%	\$ 421
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%	-

(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, 2019

Unaudited

	General obligation debt outstanding	Estimated percentage applicable to Town of Smyrna	Estimated share of overlapping debt
Direct Debt			
Bonds Payable	\$ 2,204,300	100.00%	\$ 2,204,300
Capital Lease Payable	133,033	100.00%	133,033
Loans Payable	<u>4,609,722</u>	100.00%	<u>4,609,722</u>
Total direct debt	<u>6,947,055</u>		<u>6,947,055</u>
Overlapping debt (1)			
Kent County	7,616,068	81.00%	6,169,015
New Castle County	180,370,000	19.00%	34,270,300
Smyrna School District	<u>17,685,489</u>	88.19%	<u>15,597,340</u>
Total overlapping debt	<u>205,671,557</u>		<u>56,036,655</u>
Total direct and overlapping debt	<u>\$ 212,618,612</u>		<u>\$ 62,983,710</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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Debt limit	\$ 43,020	\$ 42,341	\$ 41,849	\$ 40,966	\$ 40,519	\$ 39,530	\$ 39,437	\$ 38,376	\$ 38,358	\$ 37,603
Total net debt applicable to limit	<u>22,462</u>	<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>
Legal debt margin	<u>\$ 20,558</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	52.21%	51.25%	54.30%	58.76%	52.91%	46.83%	39.83%	37.38%	35.70%	29.94%
Total taxable assessment	\$ 956,006									
Debt limit percentage (1)	<u>4.50%</u>									
Debt limit	43,020									
Outstanding Debt	<u>22,462</u>									
Legal debt margin	<u>\$ 20,558</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	2019			2010		
	Estimated Employees	Rank	Percentage of Total Employment	Estimated Employees	Rank	Percentage of Total Employment
Local Governments	765	1	28.38%	2,311	2	27.00%
Retail trade	700	2	25.96%	2,157	3	25.20%
Health care	650	3	24.11%	3,510	1	41.01%
Manufacturing	581	4	21.55%	581	4	6.79%
Total	2,696		100.00%	8,559		100.00%

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, 2019

Unaudited

Customer	Water Consumption (Tgal)	% of Total Consumption	Revenue Billed	% of Total Revenue
Delaware Home & Hospital	15,261	5.6%	\$ 81,422	5.5%
Lenape Properties Mgmt	12,859	4.7%	67,965	4.6%
Smyrna School District	4,688	1.7%	25,376	1.7%
Walmart	4,421	1.6%	23,568	1.6%
DEMEC	3,590	1.3%	19,338	1.3%
Division of Public Health	3,639	1.3%	19,408	1.3%
Fresenius Medical Care	2,359	0.9%	12,598	0.9%
Surya Hospitality Mgmt LLC	1,370	0.5%	7,337	0.5%
DSC Laundries LLC	1,358	0.5%	7,273	0.5%
Smyrna Diner	1,022	0.4%	5,486	0.4%
Totals for Top 10	50,567	18.6%	269,771	18.3%
All Other	221,182	81.4%	1,208,315	81.7%
Total for System	271,749	100.0%	\$ 1,478,085	100.0%

Customer	WasteWater Consumption (Tgal)	% of Total Consumption	Revenue Billed	% of Total Revenue
Delaware Home & Hospital	13,203	5.5%	\$ 109,422	4.6%
Lenape Properties Mgmt	12,701	5.2%	136,469	5.7%
Smyrna School District	4,606	1.9%	38,237	1.6%
Walmart	4,421	1.8%	35,339	1.5%
Fresenius Medical Care	2,359	1.0%	18,863	0.8%
Surya Hospitality Mgmt LLC	1,370	0.6%	10,961	0.5%
DSC Laundries LLC	1,358	0.6%	10,865	0.5%
Smyrna Diner	1,022	0.4%	8,181	0.3%
McDonalds	869	0.4%	6,958	0.3%
Division of Public Health	725	0.3%	5,808	0.2%
Totals for Top 10 Customers	42,634	17.6%	381,103	16.0%
All Other	199,347	82.4%	1,999,331	84.0%
Total for System	241,981	100.0%	\$ 2,380,435	100.0%

TOWN OF SMYRNA**TOP 10 ELECTRIC UTILITY CUSTOMERS***For the year ended December 31, 2019**Unaudited*

Customer	Kwh	% of Total Kwh	Revenue Billed	% of Total Revenue
Walmart	15,016,146	13.3%	\$1,108,145	8.3%
Smyrna School District	9,031,800	8.0%	935,428	7.0%
Delaware Home & Hospital	4,628,160	4.1%	425,383	3.2%
Albertson Inc	3,298,400	2.9%	276,300	2.1%
Smyrna Health/Wellness Center	3,170,160	2.8%	274,965	2.1%
Division of Public Health	2,618,880	2.3%	183,394	1.4%
Food Lion	2,475,040	2.2%	144,282	1.1%
Bayhealth Medical Center	1,285,320	1.1%	135,302	1.0%
Verizon Communications	892,640	0.8%	85,192	0.6%
Wawa	747,300	0.7%	73,850	0.6%
Totals for Top 10 Customers	43,163,846	38.3%	3,642,240	27.2%
All Others	69,553,460	61.7%	9,737,827	72.78%
Total for System	112,717,306	100.0%	\$13,380,067	100.00%

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

<u>Fiscal Year</u>	<u>Population of Town (1)</u>	<u>Personal Income- Kent County (2)</u>	<u>Per Capita Personal Income- Kent County (2)</u>	<u>Unemployment rate-Kent County (3)</u>	<u>School enrollment (4)</u>
2019	12,401	\$ 7,503,142,000	\$ 42,023	3.80%	5,882
2018	11,914	7,503,142,000	42,023	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

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 2018 personal income and per capita personal income information for both 2019 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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government - Administration	14.00	14.00	16.00	16.00	17.00	16.00	16.00	14.00	14.00	14.00
Public Safety - Police	31.00	31.00	30.00	28.00	29.00	29.00	28.00	30.00	29.00	29.00
Public Works	13.00	12.00	12.00	15.00	12.00	13.00	13.00	12.00	12.00	11.00
Planning and Inspection	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	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	2.00	4.00	5.00	3.00	3.00	2.00	2.00	1.00	1.00
General Fund Total	<u>68.00</u>	<u>66.00</u>	<u>69.00</u>	<u>71.00</u>	<u>68.00</u>	<u>68.00</u>	<u>66.00</u>	<u>65.00</u>	<u>64.00</u>	<u>63.00</u>
Public Utilities	8.00	9.00	10.00	10.00	7.00	8.00	8.00	8.00	8.00	9.00
Electric Fund Total	<u>8.00</u>	<u>9.00</u>	<u>10.00</u>	<u>10.00</u>	<u>7.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>9.00</u>
Public Utilities	3.00	4.00	5.00	5.00	4.00	3.00	4.00	4.00	4.00	4.00
Water and Sewer Fund Total	<u>3.00</u>	<u>4.00</u>	<u>5.00</u>	<u>4.00</u>	<u>4.00</u>	<u>3.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>
Total Staff	<u>79.00</u>	<u>79.00</u>	<u>84.00</u>	<u>85.00</u>	<u>79.00</u>	<u>79.00</u>	<u>78.00</u>	<u>77.00</u>	<u>76.00</u>	<u>76.00</u>

Source: Town Financial Records

TOWN OF SMYRNA
 Operating indicators by Function
 Last ten fiscal years ending June 30,
 Unaudited (Expressed in thousands)

Function	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety										
Calls for service	18,380	17,520	17,071	16,036	18,431	16,810	19,743	21,079	21,383	16,952
Criminal arrests	711	791	1,009	957	943	1,065	712	523	1,572	2,318
Dui arrests	57	60	64	49	68	81	98	110	96	70
Traffic warnings	2,388	1,555	1,143	557	1,004	1,321	2,447	2,433	2,503	1,707
Traffic arrests	2,871	2,485	2,697	2,285	2,211	2,670	3,747	4,240	3,084	3,084
Planning and Inspection										
Total fees collected for construction (1)	\$ 1,614,309	\$ 1,612,366	\$ 1,120,034	\$ 1,143,456	\$ 882,547	\$ 900,689	\$ 704,287	\$ 695,521	\$ 490,514	\$ 1,018,701
Construction inspections (2)	2,558	2,418	2,172	1,831	1,085	820	801	728	703	1,156
Building permits issued	630	549	523	642	389	272	312	324	341	497
Public Library										
Total number of registered borrowers	6,987	7,017	8,610	8,922	8,434	7,603	7,950	8,148	7,835	9,376
Attendance per year	77,502	76,230	82,448	89,704	88,025	84,713	87,432	89,411	82,987	79,068
Total book circulation	69,958	68,281	73,683	81,754	NA	NA	NA	NA	NA	NA
E books circulation	12,039	10,136	10,858	18,889	8,496	5,529	NA	NA	NA	NA
Electronic materials	35,932	32,494	30,303	28,315	30,780	20,535	15,167	11,458	-	367
Number of books	22,046	22,063	22,740	23,422	24,312	24,024	23,843	23,751	22,723	22,149
Water utility										
Gallons used	281,341,000	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
Connections	5,422	5,264	5,088	4,938	4,822	4,755	4,671	4,305	3,789	3,789
Electric utility										
Usage Sales (kwh)	110,461,844	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
Culture and recreation										
Major Parks	2	2	2	2	2	2	2	2	2	2
Small Parks	3	3	3	3	3	3	3	3	3	3

Source: Town Records

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

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

3) All available operating indicators have been presented.

* Information is not available.

TOWN OF SMYRNA
CAPITAL ASSET INFORMATION

<u>TOWN SERVICE BUILDINGS</u>	<u>ACQUISITION DATE/ADDITIONS/ RENOVATIONS</u>
Town of Smyrna Administration Building 27 South Market Street Plaza Smyrna DE, 19977	January, 1976
Town of Smyrna Police Department 325 West Glenwood Avenue Smyrna DE, 19977	January, 1988, Addition completed April 2016
Town of Smyrna Public Works Department 220 Artisan Drive Smyrna DE, 19977	September, 2009
Town of Smyrna Public Library 107 South Main Street Smyrna DE, 19977	January, 1870
Town of Smyrna Planning and Inspection 22 South Main Street Smyrna DE, 19977	2018

Source: Town records