

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

PREPARED BY:

CASSANDRA YOUNG, FINANCE DIRECTOR

BUSINESS OFFICE STAFF



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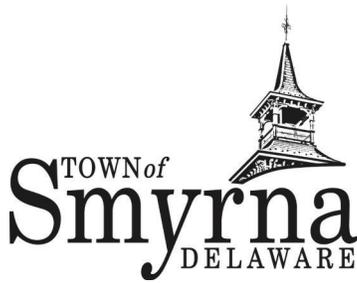
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Robert C. Johnson, Mayor
Valerie Forbes, Vice Mayor
Gerald Brown
Tabitha Gott
Margaret Mann
William D. Pressley, Sr.
Michael Rasmussen

November 4, 2021

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

We are pleased to present the Annual Comprehensive Financial Report (ACFR) for the Town of Smyrna. This report is for the fiscal year ended December 31, 2020. This report is published to comply with the provisions of Section 8.4 of the Town Code. The Annual Comprehensive Financial Report (ACFR) is a report that tells the financial story of the town through narrative, financial statements and charts/graphs. The ACFR 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 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, 2020. 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 ACFR, 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). This ACFR 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.

Town Profile and Governance

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. 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.

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. Delaware Today magazine in the March 2016 named Smyrna as one of the ten great small towns in Delaware. Following the 2020 Census, the Town finds itself at the central growth area of Delaware and looks to continue smart growth over the next decade, potentially doubling its population.

The town currently occupies a land area of 3.8 square miles and serves a population of approximately 12,253 as of December 2020. This is a 22% increase from the year 2010 census count that placed the town's population count at 10,023. Smyrna is now Delaware's sixth 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 home ownership rate of approximately 65% owners-occupied residence.

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 Charter or Code 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 114 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. The town is served by a volunteer ambulance service operated by the American Legion serving over 4,000 service calls, 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.

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. With the continued growth of Smyrna, the District looks towards future growth and expansion of facilities to support the needs of the

growing residential communities. Where possible, new land development and subdivisions plan for growth of District facilities to ensure viable options for educational needs.

Local Economy

The Town has continued to witness new development based on economic conditions that supports private and public investment in the local economy. Continued growth includes additional residential construction and new businesses leading to employment opportunities primarily in the medical fields. March 2020 presented to Smyrna, and all of Delaware, challenges not foreseen with the global pandemic impact of COVID-19. The residential housing demand created an economic outlier that resulted in several growth sectors for the Town in 2020 that looks to continue into 2021; however, it is unknown how long the residential market boom will sustain.

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. Partnership with the Kent Economic Partnership completed a study to identify market analysis of growth needs or areas of services that Town residents leave to obtain, which highlighted the increasing need for medical services.

Employment in these major employers represent various industries or sectors that were resilient to the impacts of COVID-19 or found themselves in a growth industry due to the consumer changes in the economy. Online purchasing during severe waves of the virus increased demand for sales and fulfillment centers such as the Wal-Mart center located in Town that maintained or increased its operations.

The Town's past commitment to economic development and planning of the Duck Creek Business Park, with private investment in the community by KRM, started in 2020 with infrastructure development. The start of the business parking included an initial 70,000 square foot speculation, flex building that is projected to be completed in 2021. The impact of COVID-19 is not yet realized to gauge the local, regional, and global impact on physical brick and mortar buildings as many elements of the global economy was pushed into telework and digital operations. This change did accelerate the need for fulfillment centers and other flex operations, which the KRM Duck Creek Business Park is well positioned to present positive options to private corporations.

Various brick and mortar stores closed their doors during 2020. Town Council took initiative to try to provide local grants, in addition to State and federal grants, to support operations. The Town awarded four (4) \$3,500 grants to independent small businesses to try to help sustain their operations. Town Council also rolled back 2020 utility rates (water, sewer and electric), to 2019 rates from March until August. This initiative was to try to provide support to residential and commercial utility customers, which lowered revenues to the 2020 Budget.

Due to the residential housing boom market, and the large volume of residence performing renovations during the pandemic, the Town's economic forecast remains strong and positive going into 2021. This was independently validated by Moody's Investors Services with a Aa3 financial rating of the Town in November 2020. They noted stable General Fund balances and a growing tax base as credit strengths. The Town's growing pension liabilities was noted as a challenge for future correction, and Moody's noted a preference to larger reserve fund balances as two areas for improvement in future rating assessments.

Long-term Financial Planning

Post-employment benefits cost continues to have a significant impact on the Town's financial condition because 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. This is a significant issue the Finance Committee plans to try to work on during 2021 for a long-term solution. The Actuarial Derived Contribution (ADC) by Town actuary, Milliman, demonstrates the Town is funding approximately 33% of the ADC and little-to-no investment in post-retirement health (OPEB) fiscal obligations.

Both pension ADC's for the closed Town-pension plans and OPEB expenses will become significant obligations in the near future for Town Council and staff to ensure are fulfilled to provide benefits to current and prior employees.

In addition to pension and retirement health fiscal obligations, the Town has major initiatives that will require significant, strategic planning to cover growing capital improvement costs. The Town engage with PFM as a financial advisor and in 2020 completed the refinancing and reissuance of prior bonds to save and reduce existing debt by \$1.3million overall and reduce 13-years off the amortization schedule of one USDA loan. The historical low interest market in part drives the residential housing market has supported bond savings for municipalities. The Town intends to utilize PFM in 2021 to work on a comprehensive approach to all capital project needs to fund such initiatives. Smaller loans may well be viable elements to a funding strategy; however, the Town will benefit from a holistic approach to comprehensive funding moving forward.

Major Initiatives

The South Main Street infrastructure and streetscape capital project was focused on and emphasized for completion during 2020. Major utility infrastructure and road paving was completed before Thanksgiving, with sidewalk improvements, individual home serve connections and communications lines (above ground move to below ground) to be completed into 2021. This project started in 2019 and experienced numerous change orders and field engineering to complete. The total project final estimate of \$5.4M was funded in part by \$3.7M in State revolving loans and the remaining \$1.7M paid by Town reserve funds.

During the push for South Main Street completion, the Town experienced an unforeseen infrastructure collapse of a portion of the sewer main on Locust Street. At the northern section of Locust Street, at East Commerce Street where the Department of Corrections 8" force main connect with the Town's gravity main, along with two (2) other conveyance mains, which ultimately convey the final segment to the County sewer pump station. The repair of approximately 435' feel of sanitary sewer, then included the replacement of the same length of aged clean water main, repaved the roadway from curb-to-curb, and with State CTF fiscal support, repaired sidewalks on the east and west sides of the roadway.

Three (3) other major project initiatives were discussed and planned for 2021 action, including North of Duck Creek utilities, East Commerce Street utilities and another water tower planned for north of Duck Creek. The tower is planned for 750,000 gallons and to serve future northern customers of the Town. Final design and engineering is required of each project. As noted, 2020 focused on completing South Main Street before starting another capital project without established funding.

A major initiative for 2020 was the preservation of Town operations amid the COVID-19 pandemic. Though not traditionally viewed as a major initiative, the operational shift to perform telework services, to break

front-line Public Works staff into separate shifts, and engage our team members and customers in a distance fashion was nothing planned for when looking forward in January 2020. The ability to maintain daily governance through creative and adaptive staff, while leveraging technology solutions like Teams and Zoom, made the year a success. It was a success by maintaining a level of governance and customer service that the team can and should be proud of. Further, very few outbreaks among the staff, and no severe illness occurred, and that is a win to preserve the health of staff while balancing service delivery.

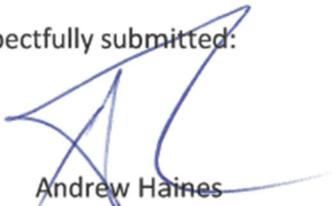
GFOA Award

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, 2019. 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 11th time Smyrna has been recognized by GFOA.

Acknowledgements

The preparation of the ACFR was made possible by the dedicated and professional service of the entire Finance Department accounting team. They have our sincere appreciation for the contributions made in the preparation of this report, and specifically Cassandra Young, Travis Stewart, Robin Blendt, consultant Tom Josiah, and all team members throughout the process. Appreciation is also extended to Mayor Johnson and Town Council for their cooperation and assistance in matters pertaining to the financial affairs of the Town.

Respectfully submitted:



Andrew Haines
Town Manager



Cassandra Young
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, 2019

Christopher P. Morill

Executive Director/CEO

**TOWN OF SMYRNA
LIST OF ELECTED AND APPROVED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2020**

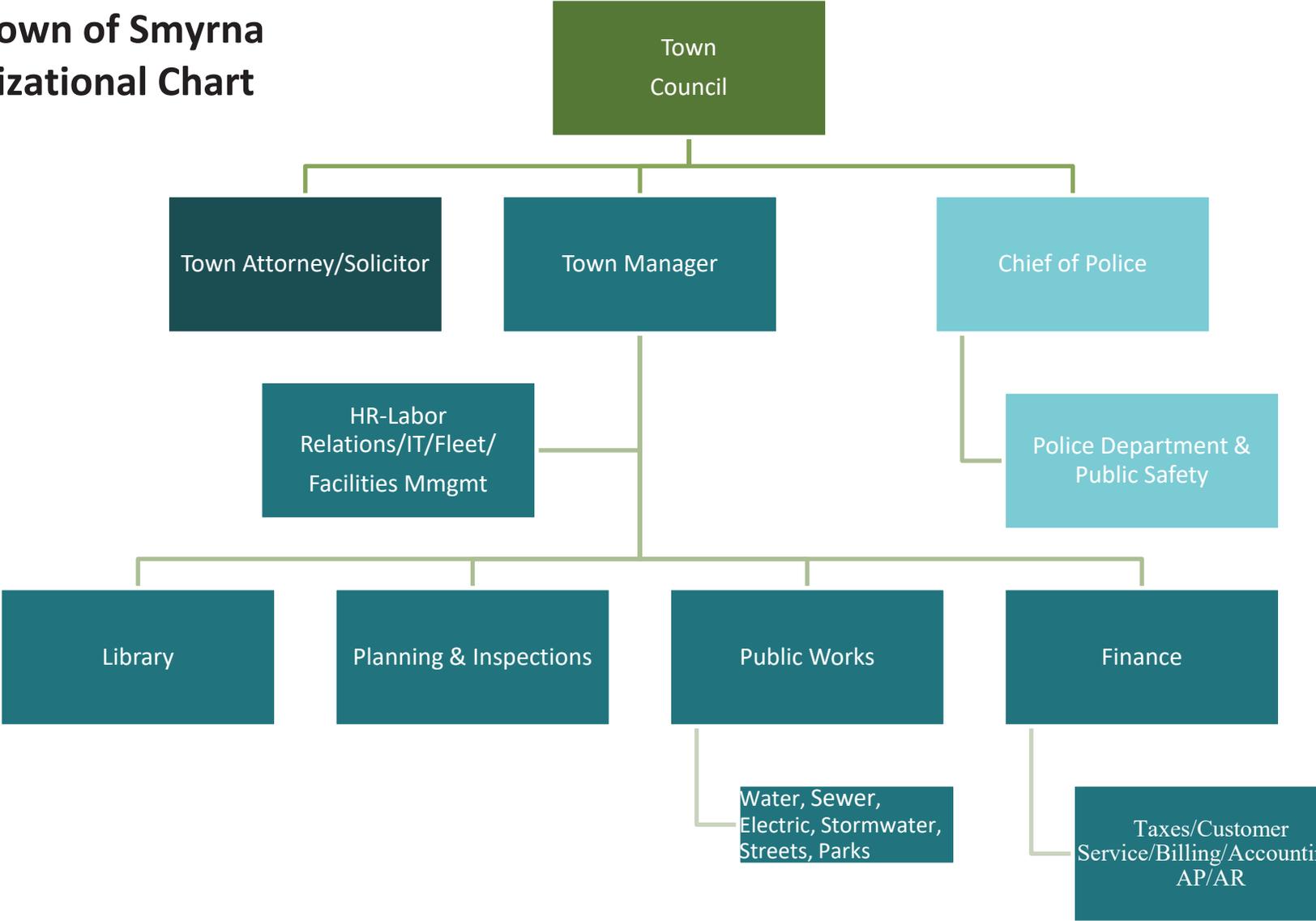
Elected Officials

Robert Johnson	Mayor
Valarie 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
Cassandra Young	Director of Finance
Torrie M. James	Police Chief
D. Barrett Edwards, IV	Attorney

2022 Town of Smyrna Organizational Chart







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Certified Public Accountants

www.belfint.com

Independent Auditors' 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, 2020, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smyrna, as of December 31, 2020, 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

We have previously audited the financial statements of Town of Smyrna as of December 31, 2019, and our report dated October 14, 2020, expressed an unmodified opinion on the financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 27 and Schedules 1 through 6 on pages 105 through 113 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.

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.

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

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 November 5, 2021 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.

November 5, 2021
Wilmington, Delaware

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2020**

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, 2020. 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 59 percent of total revenues, and program revenues accounted for 41 percent of total revenues (prior year, 47 percent and 53 percent, respectively). Total revenues decreased primarily due to a decrease in donated infrastructure. The decrease in donated infrastructure is due to less infrastructure that was constructed by developers as part of new sub-divisions in the town being finally donated to the town.
- In the governmental activities, current total expenses increased from \$12,173,278 in 2019 to \$14,052,983 in 2020. This represents a 15 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.
- Total revenues in the Town's general fund increased from \$8,951,216 in 2019 to \$9,623,799 in 2020. This represents approximately an eight percent increase. Total revenues increased primarily due to an increase in transfer 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 \$3,174,972, which is a decrease from the prior year balance of \$3,972,323. This decrease is primarily due to capital projects.
- As of the end of the current fiscal year, the Town's business-type activities reported a net position of \$36,988,279 an increase of \$1,673,507 as compared to the prior year. The current year increase in net position can be attributed primarily due to the Town's 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 outstanding.
- 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 \$10,937,334 and \$9,488,321 on December 31, 2020, and December 31, 2019, respectively.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

- 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 \$12,252,000 and \$11,556,000 on December 31, 2020, and December 31, 2019, 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 required supplementary information and 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 entity-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

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

- ***Governmental Activities:*** Most of the Town's basic services are included here, such as general government, public safety, public works, planning and inspection, library, and culture and recreation.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

- **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 28 through 30 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 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 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.

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.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

- **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 36 through 38 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 39 and 40 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 41 to 103 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 105 through 113 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 115 through 118 of this report.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

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 \$42,575,160 at the close of the most recent calendar year. The table below summarizes the net position of the Town on December 31, 2020 and 2019.

	STATEMENT OF NET POSITION					
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 5,954,540	\$ 5,709,341	\$ 6,642,007	\$ 7,027,622	\$ 12,596,547	\$ 12,736,963
Capital assets	28,256,473	25,750,369	51,301,083	48,905,000	79,557,556	74,655,369
Total Assets	<u>34,211,013</u>	<u>31,459,710</u>	<u>57,943,090</u>	<u>55,932,622</u>	<u>92,154,103</u>	<u>87,392,332</u>
Deferred outflows of Resources	<u>4,079,044</u>	<u>2,935,151</u>	<u>638,160</u>	<u>1,079,782</u>	<u>4,717,204</u>	<u>4,014,933</u>
Liabilities:						
Non-current liabilities	28,120,292	24,721,840	17,474,459	18,053,701	45,594,751	42,775,541
Current liabilities	3,033,800	1,750,907	3,018,149	3,215,263	6,051,949	4,966,170
Total Liabilities	<u>31,154,092</u>	<u>26,472,747</u>	<u>20,492,608</u>	<u>21,268,964</u>	<u>51,646,700</u>	<u>47,741,711</u>
Deferred inflows of Resources	<u>1,549,084</u>	<u>1,021,013</u>	<u>1,100,363</u>	<u>428,668</u>	<u>2,649,447</u>	<u>1,449,681</u>
Net position:						
Net investment in capital assets	21,014,581	18,803,314	35,288,189	33,390,043	56,302,770	52,193,357
Restricted	969,294	808,440	300,000	300,000	1,269,294	1,108,440
Unrestricted (deficit)	<u>(16,396,994)</u>	<u>(12,710,653)</u>	<u>1,400,090</u>	<u>1,624,729</u>	<u>(14,996,904)</u>	<u>(11,085,924)</u>
TOTAL NET POSITION	<u>\$ 5,586,881</u>	<u>\$ 6,901,101</u>	<u>\$ 36,988,279</u>	<u>\$ 35,314,772</u>	<u>\$ 42,575,160</u>	<u>\$ 42,215,873</u>

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

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

The Town's net position increased by \$359,287 during the current year.

- **Governmental Activities.** Governmental activities decreased the Town's net position by \$1,314,220. This is primarily due to a decrease in unrestricted deficit.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

- **Business-type Activities.** Business-type activities increased the Town's net position by \$1,673,507. The current year increase was due to investments in capital assets.

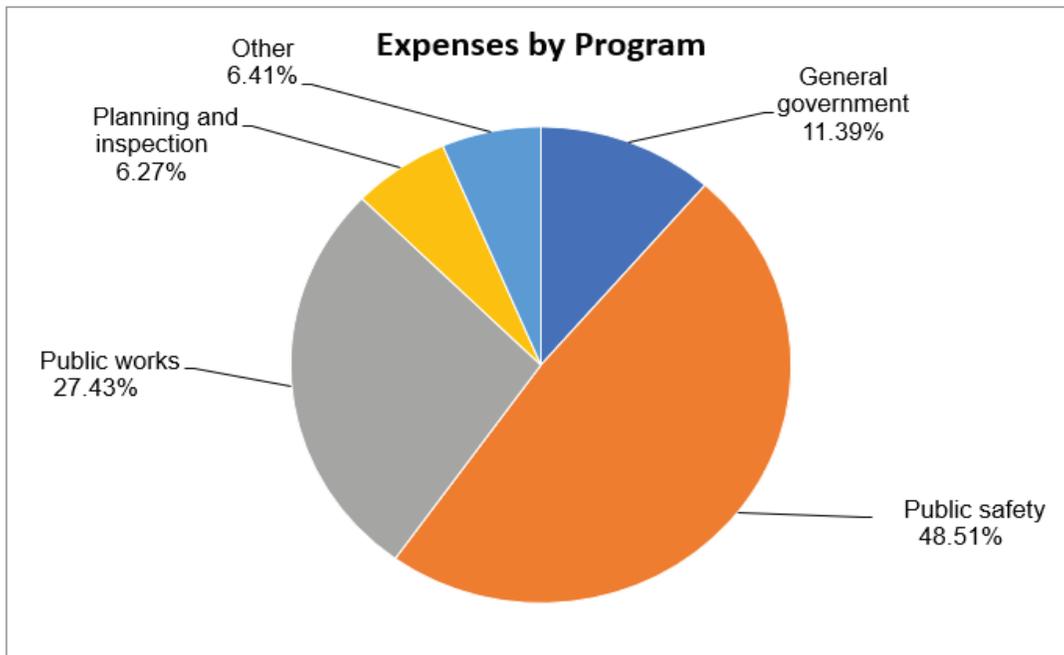
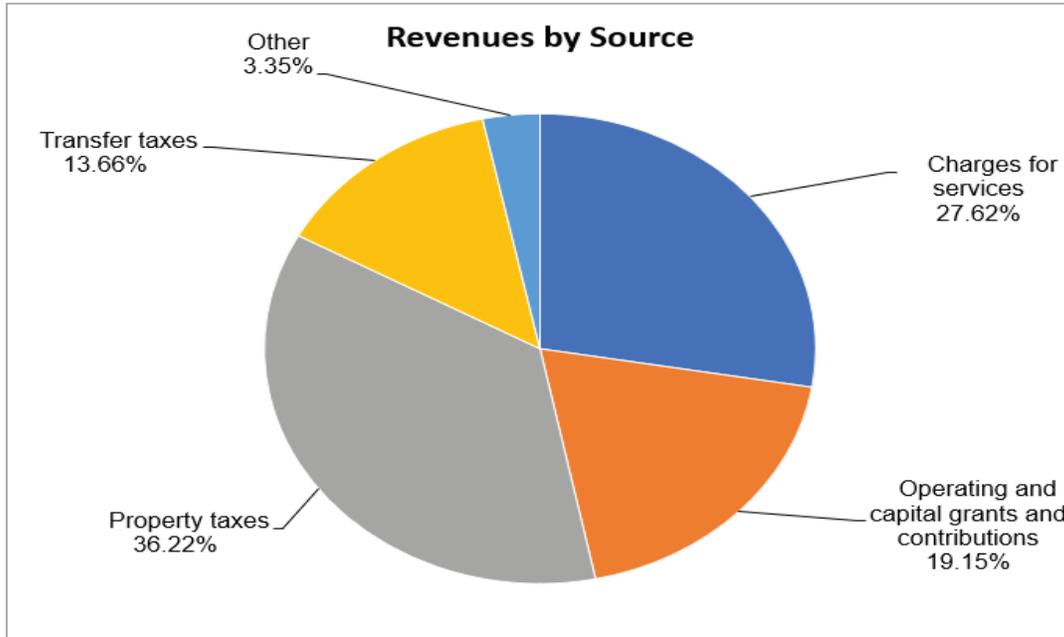
Changes in the net position of the Town are highlighted in the table presented below.

STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues:						
Charges for services	\$ 3,104,112	\$ 2,915,601	\$ 18,169,262	\$ 18,169,567	\$ 21,273,374	\$ 21,085,168
Operating grants and contributions	794,164	811,774	-	20,978	794,164	832,752
Capital grants and contributions	1,357,656	3,619,305	1,509,521	2,949,342	2,867,177	6,568,647
General revenues:						
Real estate taxes	4,070,845	4,060,318	-	-	4,070,845	4,060,318
Real estate transfer taxes	1,535,056	1,232,870	-	-	1,535,056	1,232,870
Franchise fees	232,140	219,067	-	-	232,140	219,067
Investment earnings	15,331	117,786	3	12	15,334	117,798
Loss on sale of capital assets	(1,470)	-	(6,413)	-	(7,883)	-
Other	129,994	32,900	-	-	129,994	32,900
TOTAL REVENUES	11,237,828	13,009,621	19,672,373	21,139,899	30,910,201	34,149,520
EXPENSES						
General government	1,599,990	1,487,670	-	-	1,599,990	1,487,670
Public safety	6,817,204	5,471,858	-	-	6,817,204	5,471,858
Public works	3,854,224	3,347,632	-	-	3,854,224	3,347,632
Planning and inspection	880,876	863,780	-	-	880,876	863,780
Library	321,069	434,842	-	-	321,069	434,842
Culture and recreation	335,251	358,820	-	-	335,251	358,820
Interest on long-term debt	244,369	208,676	-	-	244,369	208,676
Electric	-	-	12,318,517	12,508,566	12,318,517	12,508,566
Water/Sewer	-	-	4,157,455	4,212,719	4,157,455	4,212,719
Smyrna slum clearance RDF	-	-	21,959	31,680	21,959	31,680
TOTAL EXPENSES	14,052,983	12,173,278	16,497,931	16,752,965	30,550,914	28,926,243
Change in net position before transfers	(2,815,155)	836,343	3,174,442	4,386,934	359,287	5,223,277
Transfers	1,500,935	886,686	(1,500,935)	(886,686)	-	-
CHANGE IN NET POSITION	(1,314,220)	1,723,029	1,673,507	3,500,248	359,287	5,223,277
NET POSITION, BEGINNING OF YEAR, RESTATED						
	6,901,101	5,178,072	35,314,772	31,814,524	42,215,873	36,992,596
NET POSITION, END OF YEAR	\$ 5,586,881	\$ 6,901,101	\$ 36,988,279	\$ 35,314,772	\$ 42,575,160	\$ 42,215,873

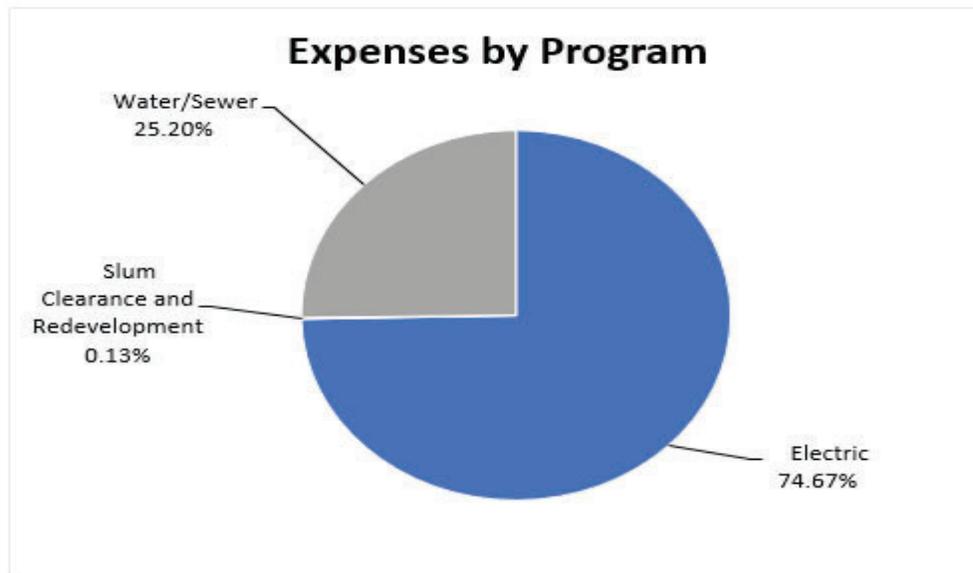
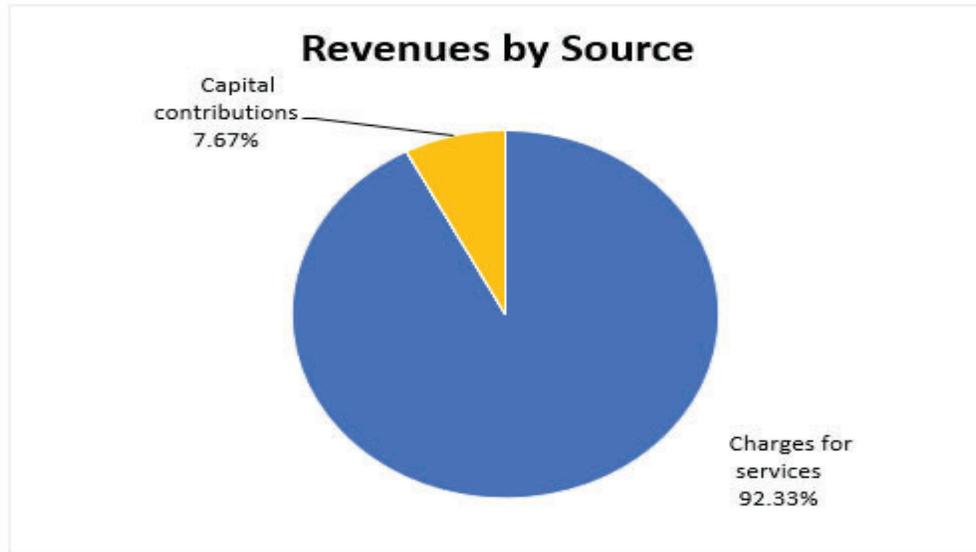
**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

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, 2020**

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



**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

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 \$3,174,975. The primary component of this figure is the fund balance of the General Fund at \$2,486,994.

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 \$2,486,994, of which \$1,990,952 is committed to future capital projects and \$466,076 is committed to the Town's budget reserve.

The fund balance of the Town's General Fund increased significantly by \$267,670 during the current calendar year. This increase represents the excess of total transfers in and operating revenue over operating expense for the year ended December 31, 2020.

The fund balance of the Town's Capital Improvement Fund decreased by \$1,225,224 during the current calendar year. This decrease is primarily due to timing differences between transfers to the Capital Improvements Fund to finance capital acquisitions and the related capital outlays.

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 \$1,400,090. The change in net position for the Electric Fund was a decrease of \$921,510, an increase in the Water and Sewer Fund of \$2,612,827, and a decrease in the RDF fund of \$17,810. 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 34. A summary of variations between budget amounts and actual results is as follows:

- Actual revenues exceeded budgeted revenues by \$1,682,219 primarily due to receiving more in property taxes, transfer taxes, special assessment impact fees, and intergovernmental revenues and license fees and permits than was anticipated and budgeted.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

- Actual expenditures exceed budget by \$496,636 primarily due to Public Safety, Public Works and Planning and Inspections exceeding their budgets and the Town refinancing its debt.

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, 2020, amounts to \$79,557,556 (net of accumulated depreciation). The following table shows the breakdown of this figure.

**CAPITAL ASSETS
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$1,757,181	\$1,757,181	\$685,957	\$685,957	\$2,443,138	\$2,443,138
Construction-in progress	1,684,270	17,818	6,091,774	3,369,653	7,776,044	3,387,471
Land improvements	218,193	245,567	-	-	218,193	245,567
Buildings and improvements	9,306,892	9,460,009	2,016,139	2,077,636	11,323,031	11,537,645
Infrastructure	13,322,651	12,937,097	41,316,841	41,700,304	54,639,492	54,637,401
Machinery and equipment	1,967,286	1,332,697	1,190,372	1,071,450	3,157,658	2,404,147
	<u>\$28,256,473</u>	<u>\$25,750,369</u>	<u>\$51,301,083</u>	<u>\$48,905,000</u>	<u>\$79,557,556</u>	<u>\$74,655,369</u>

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

- Purchase of a rear loader trash vehicle for public works totaling \$161,045.
- Dedicated Infrastructure totaling \$1,248,172.

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 \$272,294.
- Infrastructure dedications totaling \$1,073,934.
- Infrastructure improvements related to the South Main Street utility project totaling \$2,550,365.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

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

	OUTSTANDING DEBT	
	Bonds and Loans Payable	
	2020	2019
Governmental activities	\$ 6,735,004	\$ 6,814,022
Business-type activities	15,684,509	15,291,110
	\$ 22,419,513	\$ 22,105,132

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 \$52,700,000.00 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.
- The long-term effects of COVID-19 remain unknown as to its final impact on the Town's revenues and expenditures.
- The majority of the Town's city limits are in Kent County, whose unemployment rate for the County was reported at 5.2% in December 2020. The State's unemployment rate was reported at 5.9 %.
- The Town's total population in December 2020 is currently estimated at 12,253, an increase from the 2010 census, which placed the Town's total population at 10,023.

**TOWN OF SMYRNA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2020**

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, 2020
(With Summarized Comparative Data for December 31, 2019)

	Governmental	Business-type	Totals	
	Activities	Activities	2020	2019
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,291,942	\$ 2,312,161	\$ 3,604,103	\$ 4,128,439
Investments	3,554,632	7,518	3,562,150	3,689,312
Taxes receivable	382,406	-	382,406	286,355
Accounts receivable	538,001	2,540,169	3,078,170	2,552,531
Loans receivable	-	36,155	36,155	36,155
Grants receivable	157,593	-	157,593	390,782
Inventory	29,966	665,629	695,595	562,968
Prepaid expenses	-	13,200	13,200	-
Restricted Assets:				
Meter deposits	-	906,089	906,089	877,990
Total Current Assets	5,954,540	6,480,921	12,435,461	12,524,532
Noncurrent Assets:				
Prepaid bond insurance costs	-	-	-	25,190
Loan receivable	-	161,086	161,086	187,241
Capital assets, net:				
Land	1,757,181	685,957	2,443,138	2,443,138
Construction-in-progress	1,684,270	6,091,774	7,776,044	3,387,471
Land improvements	218,193	-	218,193	245,567
Buildings and improvements	9,306,892	2,016,139	11,323,031	11,537,645
Infrastructure	13,322,651	41,316,841	54,639,492	54,637,401
Machinery and equipment	1,967,286	1,190,372	3,157,658	2,404,147
Total Noncurrent Assets	28,256,473	51,462,169	79,718,642	74,867,800
TOTAL ASSETS	34,211,013	57,943,090	92,154,103	87,392,332
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	2,754,675	471,263	3,225,938	2,391,789
Deferred outflows - OPEB	1,324,369	166,897	1,491,266	1,623,144
Total Deferred Outflows of Resources	4,079,044	638,160	4,717,204	4,014,933
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 38,290,057	\$ 58,581,250	\$ 96,871,307	\$ 91,407,265

The notes are an integral part of these financial statements.

TOWN OF SMYRNA
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2020
(With Summarized Comparative Data for December 31, 2019)

	Governmental	Business-type	Totals	
	Activities	Activities	2020	2019
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 2,084,646	\$ 1,013,013	\$ 3,097,659	\$ 1,922,108
Accrued salaries and benefits	104,428	36,260	140,688	194,122
Accrued interest	17,673	35,208	52,881	107,202
Developer deposits	-	5,238	5,238	118,847
Other liability	-	-	-	143,786
Unearned revenue	232,240	-	232,240	267,969
Bonds payable	391,668	169,374	561,042	350,000
Loans payable	-	791,770	791,770	855,812
Lease payable	138,083	49,481	187,564	67,999
Accrued compensated absences	65,062	11,716	76,778	60,335
Current Liabilities Payable from Restricted Assets:				
Meter deposits	-	906,089	906,089	877,990
Total Current Liabilities	3,033,800	3,018,149	6,051,949	4,966,170
Noncurrent Liabilities:				
Portions due or payable after one year				
Accrued compensated absences	585,560	105,447	691,007	543,019
Lease payable	368,805	278,904	647,709	288,881
Bonds payable	6,343,336	2,756,462	9,099,798	4,875,000
Loans payable	-	11,966,903	11,966,903	16,024,320
Total OPEB liability	10,931,206	1,320,794	12,252,000	11,556,000
Net pension liability	9,891,385	1,045,949	10,937,334	9,488,321
Total Noncurrent Liabilities	28,120,292	17,474,459	45,594,751	42,775,541
TOTAL LIABILITIES	31,154,092	20,492,608	51,646,700	47,741,711
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	956,514	1,006,030	1,962,544	692,276
Deferred inflows - OPEB	592,570	94,333	686,903	757,405
Total Deferred Inflows of Resources	1,549,084	1,100,363	2,649,447	1,449,681
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	32,703,176	21,592,971	54,296,147	49,191,392
NET POSITION				
Net investment in capital assets	21,014,581	35,288,189	56,302,770	52,193,357
Restricted for police	60,165	-	60,165	93,082
Restricted for public works	909,129	-	909,129	715,358
Restricted for rural economic development	-	300,000	300,000	300,000
Unrestricted (deficit)	(16,396,994)	1,400,090	(14,996,904)	(11,085,924)
TOTAL NET POSITION	5,586,881	36,988,279	42,575,160	42,215,873
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 38,290,057	\$ 58,581,250	\$ 96,871,307	\$ 91,407,265

The notes are an integral part of these financial statements.

TOWN OF SMYRNA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2020
(With Summarized Comparative Data for December 31, 2019)

	<u>Major Funds</u>			<u>Totals</u>	
	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>2020</u>	<u>2019</u>
ASSETS					
Cash and cash equivalents	\$ 452,931	\$ 60,550	\$ 778,461	\$ 1,291,942	\$ 838,758
Investments	2,658,530	705,917	190,185	3,554,632	3,681,797
Taxes receivable	382,406	-	-	382,406	286,355
Accounts receivable	538,001	-	-	538,001	481,143
Grants receivable	-	157,593	-	157,593	390,782
Due from other funds	-	-	-	-	8,730
Prepaid items	-	-	-	-	-
Inventory	29,966	-	-	29,966	19,811
TOTAL ASSETS	\$ 4,061,834	\$ 924,060	\$ 968,646	\$ 5,954,540	\$ 5,707,376
LIABILITIES:					
Accounts payable	\$ 879,921	\$ 1,204,725	\$ -	\$ 2,084,646	\$ 966,907
Accrued salaries and benefits	104,428	-	-	104,428	148,264
Due to other funds	-	-	-	-	8,730
Unearned revenue	232,240	-	-	232,240	267,969
Developer deposits	-	-	-	-	10,000
TOTAL LIABILITIES	\$ 1,216,589	\$ 1,204,725	\$ -	\$ 2,421,314	\$ 1,401,870
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	358,251	-	-	358,251	333,183
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 358,251	\$ -	\$ -	\$ 358,251	\$ 333,183
FUND BALANCES					
Nonspendable	29,966	-	-	29,966	19,811
Restricted for police	-	-	60,165	60,165	93,082
Restricted for public works	-	-	908,481	908,481	715,358
Committed to budget reserve	466,076	-	-	466,076	-
Committed to capital projects	1,990,952	-	-	1,990,952	2,935,511
Unassigned (Deficit)	-	(280,665)	-	(280,665)	208,561
TOTAL FUND BALANCES	\$ 2,486,994	\$ (280,665)	\$ 968,646	\$ 3,174,975	\$ 3,972,323

The 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, 2020

TOTAL GOVERNMENTAL FUND BALANCES \$ 3,174,975

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. 28,256,473

Some of the Town's assets are not available to pay for current expenditures, and therefore, are not reported in the funds. 358,251

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	\$ 2,754,675	
Deferred outflows of resources - OPEB	1,324,369	
Deferred inflows of resources - pensions	(956,514)	
Deferred inflows of resources - OPEB	<u>(592,570)</u>	2,529,960

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	\$ (6,041,637)	
Bond premium	(693,367)	
Lease payable	(506,888)	
Total OPEB liability	(10,931,206)	
Net pension liability	(9,891,385)	
Accrued interest	<u>(17,673)</u>	(28,082,156)

Compensated absences that are not due and payable in the current period are not reported in the funds. (650,622)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,586,881

The 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, 2020
(With Summarized Comparative Data for the Year Ended December 31, 2019)

	Major Funds			Totals	
	General	Capital	Nonmajor		
	Fund	Improvement	Governmental	2020	2019
REVENUES					
Taxes:					
Property taxes	\$ 4,039,247	\$ -	\$ -	\$ 4,039,247	\$ 4,088,867
Transfer taxes	1,535,056	-	-	1,535,056	1,232,870
Special assessment/impact fees	723,785	-	-	723,785	565,687
Charges for services	1,634,083	-	-	1,634,083	1,521,806
Intergovernmental	518,038	82,671	244,283	844,992	901,223
Licenses, fees, and permits	569,702	-	-	569,702	426,109
Fines and forfeits	86,204	-	-	86,204	126,213
Franchise fees	232,140	-	-	232,140	219,067
Investment income	26	14,353	952	15,331	117,786
Rental Income	65,099	-	-	65,099	94,212
Miscellaneous	220,419	-	-	220,419	138,979
TOTAL REVENUES	9,623,799	97,024	245,235	9,966,058	9,432,819
EXPENDITURES					
Current:					
General government	1,250,657	-	-	1,250,657	1,276,128
Public safety	4,210,471	-	24,187	4,234,658	4,246,285
Public works	2,425,449	60,226	51,464	2,537,139	2,441,675
Planning and inspection	866,742	-	-	866,742	747,817
Library	287,028	-	-	287,028	393,079
Culture and recreation	328,140	-	-	328,140	271,956
Debt service:					
Principal	365,162	-	-	365,162	301,851
Interest	253,236	-	-	253,236	208,732
Bond issuance costs	107,586	-	-	107,586	-
Capital outlay	913,458	1,780,533	-	2,693,991	112,498
TOTAL EXPENDITURES	11,007,929	1,840,759	75,651	12,924,339	10,000,021
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,384,130)	(1,743,735)	169,584	(2,958,281)	(567,202)
OTHER FINANCING SOURCES (USES)					
Capital lease issued	504,186	-	-	504,186	-
Issuance of refunded debt	6,041,637	-	-	6,041,637	-
Premium on issuance of refunded debt	693,367	-	-	693,367	-
Payment to refunded debt escrow agent	(2,047,322)	-	-	(2,047,322)	-
Debt service principal - UDSA advance refunding	(4,531,870)	-	-	(4,531,870)	-
Transfers in	991,802	3,382,917	-	4,374,719	3,368,681
Transfers out	-	(2,864,406)	(9,378)	(2,873,784)	(2,481,995)
TOTAL OTHER FINANCING SOURCES	1,651,800	518,511	(9,378)	2,160,933	886,686
NET CHANGES IN FUND BALANCES	267,670	(1,225,224)	160,206	(797,348)	319,484
FUND BALANCES, BEGINNING OF YEAR	2,219,324	944,559	808,440	3,972,323	3,652,839
FUND BALANCES, END OF YEAR	\$ 2,486,994	\$ (280,665)	\$ 968,646	\$ 3,174,975	\$ 3,972,323

The 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, 2020

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (797,348)

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 capital outlay (\$2,693,991) exceeded depreciation (\$1,433,676). 1,259,402

The net effect of transactions involving donations of infrastructure is to increase net position. 1,248,172

The net effect of miscellaneous transactions involving capital asset disposal. (1,470)

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 increased by this amount this year. 25,068

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 position.

	Debt Issued	Repayments	
Debt refunding	\$ (6,041,637)	\$ 6,579,192	
Debt service principal	-	234,830	
Capital leases	(504,186)	130,331	
	\$ (6,545,823)	\$ 6,944,353	398,530

Governmental funds report bond premiums as other financing sources. However, these amounts are reported on the statement of net position as credits and are amortized over the life of the debt. (693,367)

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 financing 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 financing 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	\$ (124,856)	
Accrued interest	19,562	
Prepaid bond insurance costs	(10,695)	
Net OPEB expense	(647,755)	(763,744)

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. (1,989,463)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,314,220)

The notes are an integral part of these financial statements.

TOWN OF SMYRNA
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property taxes	\$ 3,930,000	\$ 3,930,000	\$ 4,039,247	\$ 109,247
Transfer taxes	995,000	995,000	1,535,056	540,056
Special assessment/impact fees	328,230	328,230	723,785	395,555
Charges for services	1,415,000	1,415,000	1,634,083	219,083
Intergovernmental	390,000	390,000	518,038	128,038
Licenses, fees, and permits	340,000	340,000	569,702	229,702
Fines and forfeits	143,500	143,500	86,204	(57,296)
Franchise fees	201,000	201,000	232,140	31,140
Investment income	750	750	26	(724)
Rental Income	50,000	50,000	65,099	15,099
Miscellaneous	148,100	148,100	220,419	72,319
TOTAL REVENUES	<u>7,941,580</u>	<u>7,941,580</u>	<u>9,623,799</u>	<u>1,682,219</u>
EXPENDITURES				
Current:				
General government	1,377,421	1,377,421	1,290,019	87,402
Public safety	4,723,741	4,723,741	4,526,649	197,092
Public works	2,318,362	2,318,362	2,949,060	(630,698)
Planning and inspection	796,470	796,470	866,742	(70,272)
Library	344,290	344,290	287,028	57,262
Culture and recreation	465,328	465,328	362,447	102,881
Debt service:				
Principal	385,200	385,200	365,162	20,038
Interest	100,481	100,481	253,236	(152,755)
Bond issuance costs	-	-	107,586	(107,586)
TOTAL EXPENDITURES	<u>10,511,293</u>	<u>10,511,293</u>	<u>11,007,929</u>	<u>(496,636)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,569,713)</u>	<u>(2,569,713)</u>	<u>(1,384,130)</u>	<u>1,185,583</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	504,186	504,186
Issuance of refunded debt	-	-	6,041,637	6,041,637
Premium on issuance of refunded debt	-	-	693,367	693,367
Payment to refunded debt escrow agent	-	-	(2,047,322)	(2,047,322)
Debt service principal	-	-	(4,531,870)	(4,531,870)
Transfers in	2,569,713	2,569,713	991,802	(1,577,911)
TOTAL OTHER FINANCING SOURCES	<u>2,569,713</u>	<u>2,569,713</u>	<u>1,651,800</u>	<u>3,613,957</u>
NET CHANGES IN FUND BALANCE	-	-	267,670	4,799,540
FUND BALANCE, BEGINNING OF YEAR	<u>2,219,324</u>	<u>2,219,324</u>	<u>2,219,324</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,219,324</u>	<u>\$ 2,219,324</u>	<u>\$ 2,486,994</u>	<u>\$ 267,670</u>

The notes are an integral part of these financial statements.

TOWN OF SMYRNA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Summarized Comparative Data for the Year Ended December 31, 2019)

				<u>Totals</u>	
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Smyrna Slum Clearance and Redevelopment Authority</u>	<u>2020</u>	<u>2019</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 898,147	\$ 1,267,865	\$ 146,149	\$ 2,312,161	\$ 3,289,681
Investments	7,518	-	-	7,518	7,515
Accounts receivable, net	1,933,577	606,592	-	2,540,169	2,071,388
Loans receivable	-	-	36,155	36,155	36,155
Inventory	586,329	79,300	-	665,629	543,157
Prepaid expenses	13,200	-	-	13,200	-
Restricted Assets:					
Meter deposits	894,846	11,243	-	906,089	877,990
Total Current Assets	<u>4,333,617</u>	<u>1,965,000</u>	<u>182,304</u>	<u>6,480,921</u>	<u>6,825,886</u>
Noncurrent Assets:					
Prepaid bond insurance costs	-	-	-	-	14,495
Loan receivable	-	-	161,086	161,086	187,241
Capital assets, net	13,529,945	37,771,138	-	51,301,083	48,905,000
Total Noncurrent Assets	<u>13,529,945</u>	<u>37,771,138</u>	<u>161,086</u>	<u>51,462,169</u>	<u>49,106,736</u>
TOTAL ASSETS	<u>\$ 17,863,562</u>	<u>\$ 39,736,138</u>	<u>\$ 343,390</u>	<u>\$ 57,943,090</u>	<u>\$ 55,932,622</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	256,818	214,445	-	471,263	893,797
Deferred outflows - OPEB	121,380	45,517	-	166,897	185,985
Total Deferred Outflows of Resources	<u>378,198</u>	<u>259,962</u>	<u>-</u>	<u>638,160</u>	<u>1,079,782</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 18,241,760</u>	<u>\$ 39,996,100</u>	<u>\$ 343,390</u>	<u>\$ 58,581,250</u>	<u>\$ 57,012,404</u>
LIABILITIES AND NET POSITION					
Current Liabilities:					
Accounts payable	\$ 807,055	\$ 205,958	\$ -	\$ 1,013,013	\$ 955,201
Accrued salaries and benefits	21,438	14,822	-	36,260	45,858
Accrued interest	7,574	27,634	-	35,208	69,967
Developer deposits	5,238	-	-	5,238	108,847
Other liability	-	-	-	-	143,786
Current portion of lease payable	42,205	7,276	-	49,481	31,638
Current portion of bonds payable	169,374	-	-	169,374	199,500
Current portion of loans payable	-	791,770	-	791,770	774,718
Accrued compensated absences	7,506	4,210	-	11,716	7,758
Restricted Assets:					
Meter deposits	894,846	11,243	-	906,089	877,990
Total Current Liabilities	<u>1,955,236</u>	<u>1,062,913</u>	<u>-</u>	<u>3,018,149</u>	<u>3,215,263</u>
Noncurrent Liabilities:					
Accrued compensated absences	67,558	37,889	-	105,447	69,830
Lease payable	251,610	27,294	-	278,904	192,209
Bonds payable	2,756,462	-	-	2,756,462	2,821,200
Loans payable	-	11,966,903	-	11,966,903	11,495,692
Net OPEB liability	884,446	436,348	-	1,320,794	1,220,057
Net pension liability	541,711	504,238	-	1,045,949	2,254,713
Total Noncurrent Liabilities	<u>4,501,787</u>	<u>12,972,672</u>	<u>-</u>	<u>17,474,459</u>	<u>18,053,701</u>
TOTAL LIABILITIES	<u>6,457,023</u>	<u>14,035,585</u>	<u>-</u>	<u>20,492,608</u>	<u>21,268,964</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	508,243	497,787	-	1,006,030	324,131
Deferred inflows - OPEB	64,572	29,761	-	94,333	104,537
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>572,815</u>	<u>527,548</u>	<u>-</u>	<u>1,100,363</u>	<u>428,668</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>7,029,838</u>	<u>14,563,133</u>	<u>-</u>	<u>21,592,971</u>	<u>21,697,632</u>
NET POSITION					
Net investment in capital assets	10,310,294	24,977,895	-	35,288,189	33,390,043
Restricted for rural economic development	-	-	300,000	300,000	300,000
Unrestricted	901,628	455,072	43,390	1,400,090	1,624,729
TOTAL NET POSITION	<u>11,211,922</u>	<u>25,432,967</u>	<u>343,390</u>	<u>36,988,279</u>	<u>35,314,772</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 18,241,760</u>	<u>\$ 39,996,100</u>	<u>\$ 343,390</u>	<u>\$ 58,581,250</u>	<u>\$ 57,012,404</u>

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

TOWN OF SMYRNA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Summarized Comparative Data for the Year Ended December 31, 2019)

	Electric Fund	Water and Sewer Fund	Smyrna Slum Clearance and Redevelopment Authority	Totals	
				2020	2019
OPERATING REVENUES					
User service charges	\$ 13,503,709	\$ 4,495,442	\$ -	\$ 17,999,151	\$ 17,977,820
Other operating revenue	114,090	51,872	4,149	170,111	191,747
Total Operating Revenues	13,617,799	4,547,314	4,149	18,169,262	18,169,567
OPERATING EXPENSES					
Electric purchased	8,246,748	-	-	8,246,748	8,379,181
Sewer charges	-	1,165,217	-	1,165,217	1,152,583
System maintenance	336,139	364,391	-	700,530	814,121
Salaries and wages	936,175	632,622	-	1,568,797	1,371,736
Employee benefits	470,376	311,781	-	782,157	1,188,718
Depreciation and amortization	887,059	879,440	-	1,766,499	1,732,217
Supplies and maintenance	666,608	232,662	-	899,270	784,863
Truck and vehicles	26,956	16,050	-	43,006	41,145
Insurance	53,927	46,060	-	99,987	98,231
Administration expenses	81,931	41,064	83	123,078	203,126
Professional services	332,345	217,483	-	549,828	533,727
Façade grants	-	-	21,876	21,876	31,620
Total Operating Expenses	12,038,264	3,906,770	21,959	15,966,993	16,331,268
OPERATING INCOME (LOSS)	1,579,535	640,544	(17,810)	2,202,269	1,838,299
NONOPERATING REVENUES (EXPENSES)					
Investment income	3	-	-	3	12
Interest expense	(188,602)	(250,685)	-	(439,287)	(351,697)
Loss on sale of capital assets	(6,414)	-	-	(6,414)	-
Intergovernmental	(91,650)	-	-	(91,650)	(49,022)
Total Nonoperating Revenues (Expenses)	(286,663)	(250,685)	-	(537,348)	(400,707)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
	1,292,872	389,859	(17,810)	1,664,921	1,437,592
Transfers in	317,162	2,404,959	-	2,722,121	2,481,995
Transfers out	(2,967,131)	(1,255,925)	-	(4,223,056)	(3,368,681)
Capital grants	-	-	-	-	-
Capital contributions	435,587	1,073,934	-	1,509,521	2,949,342
CHANGE IN NET POSITION	(921,510)	2,612,827	(17,810)	1,673,507	3,500,248
NET POSITION, BEGINNING OF YEAR	12,133,432	22,820,140	361,200	35,314,772	31,814,524
NET POSITION, END OF YEAR	\$ 11,211,922	\$ 25,432,967	\$ 343,390	\$ 36,988,279	\$ 35,314,772

The notes are an integral part of these financial statements.

TOWN OF SMYRNA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Summarized Comparative Data for the Year Ended December 31, 2019)

	Electric Fund	Water and Sewer Fund	Smyrna Slum Clearance and Redeployment Fund	Totals	
				2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:					
Received from customers	\$ 13,130,175	\$ 4,450,470	\$ 30,304	\$ 17,610,949	\$ 18,020,117
Paid to suppliers for goods and services	(9,840,063)	(2,051,245)	(21,959)	(11,913,267)	(12,107,609)
Paid to employees for services	(1,357,475)	(957,850)	-	(2,315,325)	(2,186,131)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,932,637	1,441,375	8,345	3,382,357	3,726,377
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	-	-	139,795
Transfers out	(2,967,131)	(1,255,925)	-	(4,223,056)	(1,026,481)
Intergovernmental revenues (expenses)	(91,650)	-	-	(91,650)	(49,022)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(3,058,781)	(1,255,925)	-	(4,314,706)	(935,708)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Repayment of bonds, loans, and capital leases payable	(153,781)	(769,472)	-	(923,253)	(970,882)
Loan proceeds	128,885	1,255,925	-	1,384,810	2,033,780
Developer capital contributions	331,978	-	-	331,978	445,334
Acquisition and construction of capital assets	(272,294)	(64,268)	-	(336,562)	(3,233,198)
Interest paid	(220,845)	(253,200)	-	(474,045)	(356,038)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(186,057)	168,985	-	(17,072)	(2,081,004)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,312,201)	354,435	8,345	(949,421)	709,665
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,105,194	924,673	137,804	4,167,671	3,458,006
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,792,993	\$ 1,279,108	\$ 146,149	\$ 3,218,250	\$ 4,167,671
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income	\$ 1,579,535	\$ 640,544	\$ (17,810)	\$ 2,202,269	\$ 1,838,299
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	872,563	879,440	-	1,752,003	1,732,217
Amortization of bond issuance costs	14,496	-	-	14,496	-
Bad Debt Expense	141,878	-	-	141,878	-
Changes in assets and liabilities					
(Increase) Decrease in accounts receivable	(512,415)	(98,244)	-	(610,659)	38,348
(Increase) Decrease in loan receivable	-	-	26,155	26,155	(3,396)
(Increase) Decrease in inventory	(99,163)	(23,309)	-	(122,472)	62,372
(Increase) Decrease in prepaid expenses	1,295	-	-	1,295	-
(Increase) Decrease in deferred outflow pension items	209,228	213,306	-	422,534	(155,370)
(Increase) Decrease in deferred outflow OPEB items	13,882	5,206	-	19,088	(185,985)
Increase (Decrease) in accounts payable	2,458	55,354	-	57,812	(131,384)
Increase (Decrease) in other liability	(143,786)	-	-	(143,786)	(141,947)
Increase (Decrease) in accrued salaries and benefits	(5,419)	(4,179)	-	(9,598)	574
Increase (Decrease) in customer deposits	26,699	1,400	-	28,099	(42,455)
(Increase) Decrease in deferred inflow pension items	342,509	339,390	-	681,899	215,567
(Increase) Decrease in deferred inflow OPEB items	(7,421)	(2,783)	-	(10,204)	(10,849)
Increase (Decrease) in net pension liability	(605,745)	(603,019)	-	(1,208,764)	254,397
Increase in net OPEB liability	73,263	27,474	-	100,737	276,833
(Decrease) Increase in compensated absences	28,780	10,795	-	39,575	(20,844)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,932,637	\$ 1,441,375	\$ 8,345	\$ 3,382,357	\$ 3,726,377
Noncash investing, capital and financing activities:					
Capital lease acquisition	\$ 2,128,885	\$ 36,380	\$ -	\$ 2,165,265	\$ -
Contributions of capital assets	-	1,073,934	-	1,073,934	2,504,008
Total noncash investing, capital and financing activities	2,128,885	1,110,314	-	3,239,199	2,504,008
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:					
Cash and cash equivalents	898,147	1,267,865	146,149	2,312,161	3,289,681
Meter deposits, restricted	894,846	11,243	-	906,089	877,990
TOTAL CASH AND CASH EQUIVALENTS	\$ 1,792,993	\$ 1,279,108	\$ 146,149	\$ 3,218,250	\$ 4,167,671

The 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, 2020
(With Summarized Comparative Data for the Year Ended December 31, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 929,672	\$ 1,009,624
Prepaid expense	55,475	58,075
Accounts receivable	259	-
Contributions receivable	110,577	78,693
Interest receivable	30,428	28,209
Investments at fair value		-
Equities	1,523,227	1,344,375
Mutual funds	2,007,038	1,661,013
Fixed income	4,795,934	4,539,856
Exchange-traded funds	44,852	118,885
Insurance contracts	4,074,397	3,897,631
TOTAL ASSETS	\$ 13,571,859	\$ 12,736,361
 LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts Payable	\$ 77,178	\$ 59,961
 NET POSITION		
Assets held in trust for employee pension benefits	13,494,681	12,676,400
TOTAL LIABILITIES AND NET POSITION	\$ 13,571,859	\$ 12,736,361

The 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, 2020
(With Summarized Comparative Data for the Year Ended December 31, 2019)

	2020	2019
ADDITIONS:		
Contributions:		
Employer contribution	\$ 606,486	\$ 529,975
Employee contribution	68,552	68,447
Total Contributions	675,038	598,422
Investment Income:		
Interest and dividends	319,145	433,690
Net appreciation in fair value of investments	782,775	1,050,245
Total Investment Income	1,101,920	1,483,935
Less: investment expense	130,397	129,217
Net Investment Income	971,523	1,354,718
TOTAL ADDITIONS	1,646,561	1,953,140
DEDUCTIONS:		
Benefits paid	820,344	765,963
Administrative expenses	7,936	5,398
TOTAL DEDUCTIONS	828,280	771,361
CHANGE IN NET POSITION	818,281	1,181,779
NET POSITION, BEGINNING OF YEAR	12,676,400	11,494,621
NET POSITION, END OF YEAR	\$ 13,494,681	\$ 12,676,400

The notes are an integral part of these financial statements.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Expenditures are recorded when the related 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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2020

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, 2020

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. As of December 31, 2020, the Town allowance for uncollectible electric accounts was \$141,878. 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 taxes are liens on taxpayers' real property, 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 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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. These amounts are deferred and recognized as an inflow of resources in the period that the revenues become available.

Inventories and Prepaid Items

Inventories of business-type activities and proprietary fund types are valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both entity-wide and fund financial statements. Expenditures for prepayments are recognized during the period benefited by the prepayment, the consumption method.

Capital Assets

Capital assets, including property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. The Town has defined capital assets as assets with an initial, individual cost of more than \$5,000; capital projects, inclusive of ancillary costs, in excess of \$100,000; and an estimated useful life in excess of one year. Capital assets may be purchased or constructed and are recorded at cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Donated capital assets, donated works of art, historical treasures and similar assets, and capital assets that are received in a service concession arrangement will be measured at acquisition value.

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

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2020

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, 2020

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 2020 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, 2020

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 2020, there were no amendments to the legally adopted budgets.

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.

GASB Statement No. 92 "Omnibus 2020", will be effective for the Town for the periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 94, "Public-Private and Private-Public Partnerships and Availability Payment Arrangements," will be effective for reporting periods beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, “Subscription-Based Information Technology Arrangements,” will be effective for reporting periods beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) governments. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,” will be effective for reporting periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Accounting for the Effects of Electric Rate Regulation

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

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town’s financial position and operations. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Town’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2020, the General Fund’s legal budget was not exceeded. Expenditures in excess of appropriations were incurred in the following functions:

<u>Function</u>	<u>Expenditures Over Budget</u>
Public works	\$ 630,698
Interest	152,755
Bond issuance costs	107,586

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

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

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Town has not adopted a formal policy limiting the amount of the Town's deposits subject to custodial credit risk. At December 31, 2020, the carrying amount of the Town's deposits was \$4,510,192 and the bank balance was \$4,831,126. 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, 2020, \$269,855 was covered by federal depository insurance, and \$4,561,271 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, 2020, the Town had the following investments:

	Fair Value	Level 1
U.S Treasury bills and notes	\$ 454,464	\$ 454,464
Money market funds	3,107,686	3,107,686
	\$ 3,562,150	\$ 3,562,150

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, 2020

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, 2020, 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 because all investments are held in the Town's name.

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 Morningstar.

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, 2020

NOTE 4: CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2020 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	1,684,270	17,818	1,684,270
Total capital assets, not being depreciated	1,774,999	1,684,270	17,818	3,441,451
Capital assets being depreciated:				
Buildings and improvements	12,167,618	97,792	-	12,265,410
Infrastructure	24,756,247	1,248,172	-	26,004,419
Land improvements	884,286	-	-	884,286
Machinery and equipment	5,503,075	928,834	179,439	6,252,470
Total capital assets, being depreciated	43,311,226	2,274,798	179,439	45,406,585
Less accumulated depreciation for:				
Buildings and improvements	2,707,609	250,909	-	2,958,518
Infrastructure	11,819,150	862,618	-	12,681,768
Land improvements	638,719	27,374	-	666,093
Machinery and equipment	4,170,378	292,775	177,969	4,285,184
Total accumulated depreciation	19,335,856	1,433,676	177,969	20,591,563
Total capital assets, being depreciated, net	23,975,370	841,122	1,470	24,815,022
Governmental activities capital assets, net	\$ 25,750,369	\$ 2,525,392	\$ 19,288	\$ 28,256,473

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 4: CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 685,957	\$ -	\$ -	\$ 685,957
Construction-in-progress	3,369,653	2,722,121	-	6,091,774
Total capital assets, not being depreciated	4,055,610	2,722,121	-	6,777,731
Capital assets being depreciated:				
Buildings and improvements	3,265,334	-	-	3,265,334
Infrastructure	58,379,138	1,170,142	-	59,549,280
Machinery and equipment	2,876,232	276,732	58,556	3,094,408
Total capital assets, being depreciated	64,520,704	1,446,874	58,556	65,909,022
Less accumulated depreciation for:				
Buildings and improvements	1,187,698	61,497	-	1,249,195
Infrastructure	16,678,834	1,553,605	-	18,232,439
Machinery and equipment	1,804,782	151,397	52,143	1,904,036
Total accumulated depreciation	19,671,314	1,766,499	52,143	21,385,670
Total capital assets, being depreciated, net	44,849,390	(319,625)	6,413	44,523,352
Business-type activities assets, net	<u>\$ 48,905,000</u>	<u>\$ 2,402,496</u>	<u>\$ 6,413</u>	<u>\$ 51,301,083</u>

Depreciation expense was charged to the functions as follows:

Government Activities:	
General government	\$ 68,912
Public safety	247,456
Public works	1,034,716
Planning and inspection	23,182
Library	16,912
Culture and recreation	42,498
Total depreciation expense	<u>\$ 1,433,676</u>
Business-type Activities:	
Electric	\$ 887,059
Water and sewer	879,440
Total depreciation expense	<u>\$ 1,766,499</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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	\$ 2,204,300	\$ 6,041,637	\$ 2,204,300	\$ 6,041,637	\$ 357,000
Bond premium	-	693,367	-	693,367	34,668
Loans payable	4,609,722	-	4,609,722	-	-
Capital lease payable	133,033	504,186	130,331	506,888	138,083
Compensated absences	525,766	225,063	100,207	650,622	65,062
Net OPEB liability	10,335,943	595,263	-	10,931,206	-
Net pension liability	7,233,608	3,567,469	909,692	9,891,385	-
	<u>\$ 25,042,372</u>	<u>\$ 11,626,985</u>	<u>\$ 7,954,252</u>	<u>\$ 28,715,105</u>	<u>\$ 594,813</u>
<i>Business-type Activities</i>					
Bonds payable	\$ 3,020,700	\$ 2,598,363	\$ 3,020,700	\$ 2,598,363	\$ 153,000
Bond premium	-	327,473	-	327,473	16,374
Loans payable	12,270,410	1,255,925	767,662	12,758,673	791,770
Capital lease payable	223,847	165,265	60,727	328,385	49,481
Compensated absences	77,588	57,621	18,046	117,163	11,716
Net OPEB liability	1,220,057	100,737	-	1,320,794	-
Net pension liability	2,254,713	290,411	1,499,175	1,045,949	-
	<u>\$ 19,067,315</u>	<u>\$ 4,795,795</u>	<u>\$ 5,366,310</u>	<u>\$ 18,496,800</u>	<u>\$ 1,022,341</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, 2020

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

Bonds and Loans Payable

Governmental Activities:

The Town issued General Obligation Bonds, Series of 2020, which were used to prepay the Town's General Obligation Note, Series of 2011, prepay the Town's United States Department of Agriculture (USDA) loan and pay certain costs of issuance. The bonds mature March 1, 2040 and bear interest at 3% to 4% payable on March 1 and September 1.

\$ 6,041,637

General Obligation Bond, Series of 2020, Premium amortized over the term of the loan.

693,367

Total Government Activities

\$ 6,735,004

An analysis of debt service requirements to maturity of Governmental Activities Bonds and Loans Payable are as follows:

	<u>Prinicpal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 391,668	\$ 132,506	\$ 524,174
2022	332,168	188,370	520,538
2023	346,168	176,190	522,358
2024	356,668	163,520	520,188
2025	370,668	150,360	521,028
2026 - 2030	2,063,340	542,990	2,606,330
2031 - 2035	1,569,840	266,123	1,835,963
2036 - 2040	<u>1,304,484</u>	<u>71,558</u>	<u>1,376,042</u>
	<u><u>\$ 6,735,004</u></u>	<u><u>\$ 1,691,617</u></u>	<u><u>\$ 8,426,621</u></u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

<p>The Town obtained a bank 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, 2021. At year end, the interest rate was 2.14%.</p>	<p>\$ 7,848</p>
<p>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%.</p>	<p>1,695,434</p>
<p>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.</p>	<p>925,793</p>
<p>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.</p>	<p>206,691</p>
<p>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.</p>	<p>118,060</p>
<p>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.</p>	<p>393,474</p>
<p>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%.</p>	<p>433,533</p>
<p>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.</p>	<p>714,921</p>
<p>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.</p>	<p>788,647</p>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

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. \$ 1,576,412

Loan payable issued by the Delaware Department of Health and Social Services, Division of Public Health 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. 1,470,971

The Town issued General Obligation Bonds, Series of 2020, which was used to prepay the Town's General Obligation Note, Series of 2011 and pay certain costs of issuance. The loan matures March 1, 2040 and bears interest at 3% to 4% payable on March 1 and September 1. 2,598,363

General Obligation Bond, Series of 2020, Premium amortized over the term of the loan. 327,473

Total Business-type activities \$ 15,684,509

An analysis of debt service requirements to maturity of Business-type Activities Bonds and Loans Payable are as follows:

	<u>Prinicpal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 961,144	\$ 251,114	\$ 1,212,258
2022	1,097,619	257,601	1,355,220
2023	1,121,486	234,514	1,356,000
2024	1,089,125	210,794	1,299,919
2025	1,056,437	188,691	1,245,128
2026 - 2030	5,216,622	619,523	5,836,145
2031 - 2035	2,750,591	209,296	2,959,887
2036 - 2040	1,634,305	83,034	1,717,339
2041 - 2045	476,990	30,835	507,825
2046 - 2050	280,190	8,139	288,329
	<u>\$ 15,684,509</u>	<u>\$ 2,093,541</u>	<u>\$ 17,778,050</u>

The Town has issued General Obligation bonds to collateralize the loans payable issued by the Delaware Department of Natural Resources and Environmental Control and Delaware Department of Health and Social Services, Division of Public Health.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

Refunding of Debt

On December 31, 2020, the Town issued \$8,640,000 in General Obligation Bonds Series 2020. The purpose of this issue was to provide funds to currently refund all the Town's outstanding General Obligation Bonds, Series of 2011, to provide funds currently refund the Town's outstanding USDA Rural Development Loan, Series of 2016, and to pay the costs of issuing the Bonds. The Town refunded series 2011 and 2016 to reduce its debt service payments over the next 36 years by \$1,775,887 to obtain an economic gain of \$1,183,590. The General Obligation Bonds Series 2020 slated to mature on March 1, 2030, March 1, 2032, March 1, 2034, March 1, 2036, March 1, 2038, and March 1, 2040 are subject to mandatory sinking fund redemption by the Town prior to maturity dates by lot in direct order of maturity at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for redemption. The Bonds slated to mature on or after March 1, 2030 are subject to optional redemption any time on or after March 1, 2028

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 on this loan shall be 2.081%. There have been no disbursements on this loan as of December 31, 2020.

The Town received a binding commitment letter on April 11, 2019 from the Delaware Drinking Water 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 \$1,826,703 for a term of twenty years. The interest rate on this loan shall be 1.843%. There have been no disbursements on this loan as of December 31, 2020.

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, 2020, the Town has utilized a total of \$348,784 against this lease purchase agreement.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

Town council approved in September 2020 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 a backhoe and dump truck. As of December 31, 2020, the Town had not taken delivery of the equipment.

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, 2020, the Town has utilized a total of \$7,848 against this line of credit.

Compensated Absences

At December 31, 2020, accrued compensated absences for governmental activities totaled \$650,622. This total is comprised of accrued vacation leave of \$242,547, accrued sick leave of \$389,679, and compensatory time of \$18,396. In addition, at December 31, 2020, accrued compensated absences in the business-type activities and proprietary funds totaled \$117,163. This total is comprised of accrued vacation leave of \$65,388 and accrued sick leave of \$51,775.

Capital Leases

The Town has entered into lease arrangements to finance the acquisition of new equipment and vehicles. These leases have 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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Machinery and equipment	\$ 771,402	\$ 407,588	\$ 1,178,990
Less: accumulated depreciation	<u>(111,521)</u>	<u>(30,647)</u>	<u>(142,168)</u>
	<u>\$ 659,881</u>	<u>\$ 376,941</u>	<u>\$ 1,036,822</u>

The governmental activities minimum lease payment amounted to \$130,331 in 2020. In the business-type activities, the minimum lease payments amounted to \$60,727 in 2020.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

The Governmental Activities future lease payments under the capital lease at December 31, 2020, are as follows:

	2021	\$	142,282
	2022		162,653
	2023		92,884
	2024		72,513
	2025		44,079
Less: Amount representing interest			(7,524)
Present value of future minimum lease payments		\$	506,888

The Business-type Activities future lease payments under the capital lease at December 31, 2020, are as follows:

	2021	\$	52,166
	2022		71,278
	2023		71,278
	2024		71,278
	2025		58,370
	2026		19,113
Less: Amount representing interest			(15,099)
Present value of future minimum lease payments		\$	328,385

NOTE 6: INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2020, was as follows:

Interfund Transfer	Transfer to Other Funds	Transfer from Other Funds
General fund	\$ -	\$ 991,802
Capital improvement fund	2,864,406	3,382,917
Nonmajor funds	9,378	-
Water and sewer fund	1,255,925	2,404,959
Electric fund	2,967,131	317,162
Total	\$ 7,096,840	\$ 7,096,840

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 6: INTERFUND BALANCE AND TRANSFERS - CONTINUED

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:

<u>Year Ending</u>		
2021	\$	36,155
2022		36,155
2023		36,155
2024		31,276
2025		30,000
Thereafter		<u>27,500</u>
	<u>\$</u>	<u>197,241</u>

NOTE 8: RENTAL INCOME

The Town currently has four significant lease agreements. The first lease is with Warcko, Inc. and Blue Earl Brewing Company, LLC for the lease of an 11,525 square foot property. The lease was entered into effective June 1, 2020 and expires on May 31, 2025, with an option to extend an additional five years. Monthly payments on this lease began on June 1, 2020 in the amount of \$3,602, and the amount increases \$2,881 per year until the end of the lease term. Lease revenue recognized for this lease in 2020 totaled \$19,000. Due to the COVID-19 pandemic, \$34,216 of the 2020 required rental payments were waived by the Town.

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 originally terminated 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 currently terminates on January 25, 2025. 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 2020 totaled \$29,936.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 8: RENTAL INCOME - CONTINUED

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 2020 totaled \$7,750.

The fourth 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 terminated 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 2020 totaled \$19,000. Due to the COVID-19 pandemic, the Town waived \$5,000 of the required rental payments.

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

<u>Combined</u>	
2021	\$ 107,255
2022	87,053
2023	92,431
2024	96,286
2025	66,556
Thereafter	<u>989,818</u>
	<u>\$ 1,439,399</u>

NOTE 9: FUND BALANCE

As of December 31, 2020, fund balances are composed of the following:

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Governmental Funds
Nonspendable:				
Inventory	\$ 29,966	\$ -	\$ -	\$ 29,966
Restricted:				
Police	-	-	60,165	60,165
Public works	-	-	908,481	908,481
Committed:				
Budget Reserve	466,076			466,076
Capital projects	1,990,952	-	-	1,990,952
Unassigned	-	(280,665)	-	(280,665)
Total fund balances	<u>\$ 2,486,994</u>	<u>\$ (280,665)</u>	<u>\$ 968,646</u>	<u>\$ 3,174,975</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 9: FUND BALANCE - CONTINUED

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, 2020, the Budget Reserve Account had a balance of \$466,076. As of December 31, 2020, the Town has \$1,990,952 committed to capital projects. Investments equal to the committed amount are held in the Town's reserve fund investment account which has an overall balance of \$2.8 million.

NOTE 10: NET INVESTMENT IN CAPITAL ASSETS

A schedule of r

Governmental activities	
Total capital assets, net	\$ 28,256,473
Less: outstanding debt	<u>(7,241,892)</u>
Total net investment in capital assets	<u>\$ 21,014,581</u>
Business-type activities:	
Total capital assets, net	\$ 51,301,083
Less: outstanding debt	<u>(16,012,894)</u>
Total net investment in capital assets	<u>\$ 35,288,189</u>

NOTE 11: DEFINED BENEFIT PENSION PLANS

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 11: DEFINED BENEFIT PENSION PLANS - CONTINUED

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 - FIDUCIARY FUNDS

December 31, 2020

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 607,960	\$ 321,712	\$ 929,672
Prepaid expense	17,983	37,492	55,475
Accounts receivable	-	259	259
Contributions receivable	7,818	102,759	110,577
Interest receivable	-	30,428	30,428
Investments, at fair value			
Equities	-	1,523,227	1,523,227
Mutual funds	197,410	1,809,628	2,007,038
Fixed income	-	4,795,934	4,795,934
Exchange-traded funds	44,852	-	44,852
Insurance contracts	2,048,413	2,025,984	4,074,397
TOTAL ASSETS	<u><u>\$ 2,924,436</u></u>	<u><u>\$ 10,647,423</u></u>	<u><u>\$ 13,571,859</u></u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 38,413	\$ 38,765	\$ 77,178
NET POSITION			
Assets held in trust for employee pension benefits	<u>2,886,023</u>	<u>10,608,658</u>	<u>13,494,681</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,924,436</u></u>	<u><u>\$ 10,647,423</u></u>	<u><u>\$ 13,571,859</u></u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 11: DEFINED BENEFIT PENSION PLANS - CONTINUED

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Contributions:			
Employer contribution	\$ 60,000	\$ 546,486	\$ 606,486
Employee contribution	28,876	39,676	68,552
	<u>88,876</u>	<u>586,162</u>	<u>675,038</u>
Total Contributions			
Investment income:			
Interest and dividends	41,337	277,808	319,145
Net appreciation in fair value of investments	110,582	672,193	782,775
	<u>151,919</u>	<u>950,001</u>	<u>1,101,920</u>
Total Investment Income			
Less: investment expense	21,398	108,999	130,397
	<u>130,521</u>	<u>841,002</u>	<u>971,523</u>
Net Investment Income			
TOTAL ADDITIONS	<u>219,397</u>	<u>1,427,164</u>	<u>1,646,561</u>
DEDUCTIONS			
Benefits paid	\$ 312,351	\$ 507,993	\$ 820,344
Administrative expenses	3,515	4,421	7,936
	<u>315,866</u>	<u>512,414</u>	<u>828,280</u>
TOTAL DEDUCTIONS			
CHANGE IN NET POSITION	(96,469)	914,750	818,281
NET POSITION, Beginning of Year	<u>2,982,492</u>	<u>9,693,908</u>	<u>12,676,400</u>
NET POSITION, End of Year	<u>\$ 2,886,023</u>	<u>\$ 10,608,658</u>	<u>\$ 13,494,681</u>

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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 an actuarially determined rate. In 2020, the police officer contributions totaled \$28,876. Employer contributions to the plan totaled \$60,000 the plan in 2020.

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, 2020, 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	12
	22

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: POLICE PENSION PLANS - CONTINUED

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.

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, 2020 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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: POLICE PENSION PLANS - CONTINUED

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, 2020, the carrying amount of the Plan's deposits was \$607,960, and the bank balance was \$607,960. Of this amount, \$606,366 was insured or registered and the securities held by the Town or its agent in the Town's name, and \$1,594 was equal to the deposits in a money market fund held by the trustee of the pension plan in the Town's name.

Investments

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

As of December 31, 2020, the Plan had the following investments:

<u>Investments Held at Fair Value</u>	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds	\$ 197,410	\$ 197,410
Exchange traded funds	<u>44,852</u>	<u>44,852</u>
	242,262	<u><u>\$ 242,262</u></u>
 <u>Investments Measured at Contract Value</u>		
Fixed income insurance contracts	<u>2,048,413</u>	
	<u><u>\$ 2,290,675</u></u>	

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

Administrative Costs

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

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: POLICE PENSION PLANS - CONTINUED

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, 2020 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.

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, 2020 and best estimates of arithmetic real rates of return for each major asset class, excluding the fixed income insurance contracts, are summarized in the following table:

Category Allocation	Target Allocation	Long-term Expected Rate of Return
Cash	1.20%	-0.49%
Fixed income	61.00%	1.13%
Mutual funds	33.00%	4.45%
Real Estate Investment Trusts	3.00%	5.12%
Commodities	1.80%	0.02%
	100%	

Discount Rate

The single equivalent resulting discount rate is 2.43%, which was reduced from the 2019 discount rate of 4.50%. The Plan’s discount rate was reduced because the Plan’s Fiduciary net position was not projected to be available to make all projected future benefit payments. The Municipal Bond rate as of December 31, 2020 was 2.12%.

Net Pension Liability

The Plan’s net pension liability was determined using a measurement date of December 31, 2020. The total pension liability was determined by an actuarial valuation as of January 1, 2020, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date. The net pension liability of

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: POLICE PENSION PLANS - CONTINUED

\$8,558,977 is measured as the difference between the total pension liability of \$11,445,000 and the fiduciary net position of \$2,886,023.

The components of the net pension liability of the Plan at December 31, 2020, are as follows:

Total pension liability	\$ 11,445,000
Fiduciary net pension	<u>2,886,023</u>
Net pension liability	<u>\$ 8,558,977</u>
Plan fiduciary net pension as a percentage of the total pension liability	25.22%

The Town's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2020, were as follows:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Pension (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at December 31, 2019	<u>\$ 7,974,000</u>	<u>\$ 2,982,492</u>	<u>\$ 4,991,508</u>
Changes for the year			
Service cost	125,415	-	125,415
Interest on total pension liability	357,523	-	357,523
Effect of economic/demographic gains or losses	236,413	-	236,413
Effect of assumption changes or inputs	3,064,000	-	3,064,000
Benefits payments	(312,351)	(312,351)	-
Employer contributions	-	60,000	(60,000)
Member contributions	-	28,876	(28,876)
Net investment income	-	130,521	(130,521)
Administrative expenses	-	(3,515)	3,515
Net changes	<u>3,471,000</u>	<u>(96,469)</u>	<u>3,567,469</u>
Balance at December 31, 2020	<u>\$ 11,445,000</u>	<u>\$ 2,886,023</u>	<u>\$ 8,558,977</u>

As of December 31, 2020, the net pension liability of \$8,558,977 is a liability related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position.

Sensitivity 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 2.43%, as well as what the Town of Smyrna's net pension liability would be if it

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: POLICE PENSION PLANS - CONTINUED

were calculated using a discount rate that is 1 percentage point lower (1.43%) or 1 percentage point higher (3.43%) than the current rate.

	1% Decrease 1.43%	Current Discount Rate 2.43%	1% Increase 3.43%
Net pension liability	\$ 10,707,977	\$ 8,558,977	\$ 6,879,977

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, 2020 the annual money-weighted rate of return on the Plan investments, net of investment expense was 4.60%. 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, 2020, the Plan recognized pension expense of \$2,122,638. At December 31, 2020, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows
Change of assumptions	\$ 1,532,000
Differences between actual and expected experience	118,206
Differences between actual and projected investment returns	17,023
Total Deferred Outflows	\$ 1,667,229

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

Year Ending December 31,	
2021	\$ 1,672,465
2022	6,343
2023	(11,307)
2024	(272)
	\$ 1,667,229

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: POLICE PENSION PLANS - CONTINUED

The following actuarial methods and assumptions were used in the January 1, 2020 actuarial valuation.

Actuarial Methods and Significant Assumptions	
Valuation date	January 1, 2020
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization method	6 years
Amortization period	Closed
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	4.50%, net of investment expense including inflation of 2.20%
Discount rate	2.43%
Projected salary increases	Varies by years of employment. Underlying 3% wage inflation reflecting wage progression and longevity increases.
Cost of living adjustments	None
Changes in actuarial assumptions or methods	The projected mortality improvement scale was updated from the MP-2019 scale to the MP-2020 scale.
Mortality	PUBS-2019 Mortality Tables for Public Safety employees projected on an generational basis using scale MP-2020, 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.
Discount Rate	The discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient
Funded benefits discount rate	4.50%
Unfunded benefits discount rate	2.74% - at the Bond Buyer General Obligation 20-Bond Municipal Bond Index

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: POLICE PENSION PLANS - CONTINUED

The above information regarding the Plan was taken from the January 1, 2020 Actuarial Valuation presented by Milliman, Inc., dated April 30, 2021.

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, 2020 the Town's membership in this plan is comprised of 18 active employees, including 7 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, 2020

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 16.84% for the period January to June 2020, and 16.59% for the period June to December 2020. The Town's contributions of \$237,937 for 2020 were equal to the required contribution for the year. Total eligible full-time wages covered by the DPERS Police Plan for the year totaled \$1,416,778.

Member contributions are established at 7% of covered wages.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: POLICE PENSION PLANS - CONTINUED

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

At December 31, 2020, the Town reported a liability of \$239,640 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. 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 (\$7,200,099) and its proportionate share of the DPERS Police Plan's fiduciary net position (\$6,960,459). As of December 31, 2020, the Town's proportionate share of the net pension liability of \$239,640 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, 2020, the Town's proportion of the collective net pension liability was 1.5593%.

For the year ended December 31, 2020, the DPERS Police Plan recognized pension expense of \$242,327. At December 31, 2020, 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	\$ 75,508	\$ 238,428
Difference between actual and expected investment returns	169,900	
Changes of assumptions	36,203	88,479
Changes in proportions	12,593	48,277
Contributions made subsequent to the measurement date	-	123,899
	<u>\$ 294,204</u>	<u>\$ 499,083</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, 2021.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 12: POLICE 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>	
2021	\$ (42,995)
2022	(8,626)
2023	25,953
2024	530
2025	36,188
Thereafter	<u>69,930</u>
	<u>\$ 80,980</u>

The following actuarial methods and assumptions were used in the June 30, 2019, 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 disables retirees, and an adjusted version of 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, 2020

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	28.50%	5.70%
International equity	15.20%	5.70%
Fixed income	28.80%	2.00%
Alternative investments	23.00%	7.80%
Cash and equivalents	4.50%	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, 2020

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:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (asset)	\$ 1,333,841	\$ 239,640	\$ (653,440)

Plan Fiduciary Net Position

The pension plan is managed by the State of Delaware Board of Pension Trustees. The Annual Comprehensive 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 \$39,676 in 2020. The Town is required to contribute an actuarially determined rate. The employer contribution totaled \$546,486 in 2020.

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, 2020

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, 2020, the date of the most recent actuarial report, Plan membership consisted of the following:

Active employees	27
Terminated vested participants	19
Retirees and beneficiaries currently receiving benefits	31
	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, 2020

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, 2020 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, 2020, the carrying amount of the Plan's deposits was \$321,712, and the bank balance was \$321,712. Of this amount, \$211,331 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$110,381 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, 2020

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, 2020, the Plan had the following investments:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>Investments Held at Fair Value:</u>			
Equities	\$ 1,523,227	\$ 1,523,227	\$ -
Mutual funds	1,809,628	1,809,628	-
Fixed income	<u>4,795,934</u>	<u>-</u>	<u>4,795,934</u>
	8,128,789	<u>\$ 3,332,855</u>	<u>\$ 4,795,934</u>
<u>Investments Measured at Contract Cost:</u>			
Fixed income insurance contracts	<u>2,025,984</u>		
	<u>\$ 10,154,773</u>		

Investments in external investment pools, such as those in mutual funds and fixed income insurance contracts, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2020, the Plan's fixed income investments had the following risk characteristics:

<u>Investment Type</u>	<u>Portfolio Rating</u>	<u>Investment Rating Source</u>	<u>Investment Value</u>
Asset backed securities	NR	S&P, MOODY	\$ 1,876,144
Corporate bonds	BB- TO NR	S&P, MOODY	2,460,616
Municipal bonds	BBB TO AA+	S&P, MOODY	265,386
U.S. Treasury/agency securities	AA+ TO NR	S&P, MOODY	<u>193,788</u>
Total fixed income securities			<u>\$ 4,795,934</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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, 2020 and best estimates of arithmetic real rates of return for each major asset class, excluding the fixed income insurance contract, are summarized in the following table:

Category Allocation	Target Allocation	Long-term Expected Rate of Return
Cash	1.94%	-0.49%
Fixed Income	36.95%	1.63%
Mutual Funds	53.35%	4.45%
Real Estate Investment Trusts	4.85%	5.12%
Commodities	2.91%	2.29%
	100.00%	

Discount Rate

The discount rate used to measure the Town’s total pension liability is 5.25%, an increase from the December 31, 2019 rate of 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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

Net Pension Liability

The Plan's net pension liability was determined using a measurement date of December 31, 2020. The total pension liability was determined by an actuarial valuation as of January 1, 2020, calculated based on the discount rate and actuarial assumptions and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$2,084,342 and is measured as the difference between the total pension liability of \$12,693,000 and the fiduciary net position of \$10,608,658. The components of the net pension liability of the Plan at December 31, 2020 are as follows:

Total pension liability	\$ 12,693,000
Fiduciary net position	<u>10,608,658</u>
Net pension liability	<u>\$ 2,084,342</u>
Plan fiduciary net position as a percentage of the total pension liability	83.58%

The Plan's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2020 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	\$ 13,674,000	\$ 9,693,908	\$ 3,980,092
Changes for the year:			
Service cost	259,375	-	259,375
Interest on total pension liability	615,698	-	615,698
Effect of economic or demographic gains or losses	2,320	-	2,320
Effect of assumption changes or inputs	(1,350,400)	-	(1,350,400)
Benefit payments	(507,993)	(507,993)	-
Employer contributions	-	546,486	(546,486)
Member contributions	-	39,676	(39,676)
Net investment income	-	841,002	(841,002)
Administrative expenses	-	(4,421)	4,421
Net Changes	<u>(981,000)</u>	<u>914,750</u>	<u>(1,895,750)</u>
Balance at December 31, 2020	<u>\$ 12,693,000</u>	<u>\$ 10,608,658</u>	<u>\$ 2,084,342</u>

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

As of December 31, 2020, \$1,102,307 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 \$982,035 of the net pension liability is recorded as a liability in the Water and Sewer Fund for \$495,325 and in the Electric Fund for \$486,710 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 5.25%, 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 (4.25%) or 1 percentage point higher (6.25%) than the current rate.

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net pension liability	\$ 3,864,342	\$ 2,084,342	\$ 605,342

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, 2020, the annual money-weighted rate of return on the Plan investments, net of investment expense was 8.72%. 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, 2020

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

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

For the year ended December 31, 2020, the Town recognized negative pension expense of \$388,279. At December 31, 2020, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows	Deferred Outflows
Differences between actual and expected experience	\$ 140,577	\$ 86,764
Change of assumptions	900,267	818,180
Difference between actual and projected investment returns	546,632	-
Total Deferred Outflows and Inflows	\$ 1,587,476	\$ 904,944

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

Year Ending December 31,	
2021	\$ (165,979)
2022	(210,771)
2023	(225,155)
2024	(80,627)
	\$ (682,532)

The following actuarial methods and assumptions were used in the January 1, 2020 funding valuation.

Actuarial Methods and Significant Assumptions	
Valuation date	January 1, 2020
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	6 years
Amortization method	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, 2020

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

Actuarial Methods and Significant Assumptions - Continued

Actuarial assumptions:

Investment rate of return	5.25% - Increased from 4.50% at December 31, 2019
Discount rate	5.25% - Increased from 4.50% at December 31, 2019
Projected salary increases	3.5% Compensation is based on assumed inflation of 2.2% per year plus assumed productivity growth of 0.85% per year plus assumed merit raises of 0.45%
Cost of living adjustments	0.00%
Mortality	The mortality rates from the PRI-2012 Mortality Tables were projected with Mortality Improvement Scale MP-2020 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 above information regarding the Plan was taken from the January 1, 2020 Actuarial Valuation presented by Milliman, Inc., dated April 30, 2021.

County and Municipal Other Employees' Pension Plan

Plan Description

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

This is a contributory plan with the employee contributing 3% of earnings in excess of \$6,000. For the year ended December 31, 2020, \$1,595,929 in payroll earnings were reported to and covered by the plan.

The Town's contribution percentages were 7.29% for the period January 1, 2020 through June 30, 2020, and 7.06% for the period July 1, 2020 through December 31, 2020. The Town's contributions to the plan for the year ended December 31, 2020 totaled \$114,135 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, 2020, the Town's membership in this plan is comprised of 35 active employees, of which 5 employees are vested.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

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 7.06% and 7.29% of earnings for plan fiscal years 2020 and 2019, 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, 2020, the Town reported a liability of \$54,375 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, with updated procedures used to roll forward the total pension liability to June 30, 2020. 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 (\$1,782,163) and its proportionate share of the DPERS Employee Plan's fiduciary net position (\$1,727,788). At June 30, 2019, the Town's proportion of the collective net pension liability was 2.5608%.

As of December 31, 2020, \$45,200 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 \$9,175 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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

For the year ended December 31, 2020, the Town recognized a government-wide net negative pension expense of \$90,512 related to the DPERS Employee Plan. At December 31, 2020, the Town reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred inflows	Deferred outflows
Difference between actual and expected experience	\$ 38,365	\$ 37,984
Difference between actual and expected investment returns	40,668	-
Changes of assumptions	-	32,034
Changes in proportions	1,831	18,912
Contributions made subsequent to the measurement date	-	65,752
	\$ 80,864	\$ 154,682

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, 2021.

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

Year Ending December 31,	
2020	\$ (7,309)
2021	493
2022	8,998
2023	2,903
2024	1,536
Thereafter	1,445
	\$ 8,066

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

The following actuarial methods and assumptions were used in the June 30, 2019, 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.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED

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	28.50%	5.70%
International equity	15.20%	5.70%
Fixed income	28.80%	2.00%
Alternative investments	23.00%	7.80%
Cash and equivalents	4.50%	0.00%
	100.00%	

Discount Rate

The discount rate used to measure the Plan'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)	\$ 330,266	\$ 54,375	\$ (172,035)

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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 Annual Comprehensive 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>	<u>Pension Expense</u>
Police (See note 12)	\$ 8,558,977	\$ 1,667,229	\$ -	\$ 2,122,638
DPERS Police (See note 12)	239,640	499,083	294,204	242,327
Employee (See note 13)	2,084,342	904,944	1,587,476	388,279
DPERS Employee (See note 13)	54,375	154,682	80,864	(90,512)
	<u>\$ 10,937,334</u>	<u>\$ 3,225,938</u>	<u>\$ 1,962,544</u>	<u>\$ 2,662,732</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, 2020

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, 2020

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, 2020:

	Non- Uniformed Employees	Police	Total
Active employees	50	26	76
Retirees	11	7	18
Spouses of retirees	0	2	2

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, 2020 totaled \$235,188.

Actuarial Methods and Significant Assumptions:

Discount Rate: 2.12% per annum as of December 31, 2020 based on the applicable Bond Buyer General Obligation 20-Bond Municipal Bond Index. The discount rate decreased from 2.74% per annum as of December 31, 2019.

Compensation Increases (Non-uniformed): 3.5% per year. Compensation is based on assumed inflation of 2.2% per year plus assumed productivity growth of 0.85% 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. Increases over a Police Officer's career range from 3% to 6%.

Health Cost Trend: The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 2021.1 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, 2020

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 3.7% for costs prior to 65 and 3.7% 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. The Plan utilizes data from the State of Delaware Postretirement Health Plan to estimate health costs.

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.

Retirement Rates

The Town Retirement Rates are as follows:

<u>Age</u>	<u>Pension Only</u>	<u>20 Years of Vesting</u>	<u>First Eligibility</u>	<u>Thereafter</u>
55-61	N/A	10%	25%	10%
62	N/A	20%	50%	50%
63-64	N/A	10%	25%	20%
65-69	25%	100%	100%	100%
70	100%	100%	100%	100%

The Town Police Retirement Rates are as follows:

<u>Years of Service</u>	<u>Rate</u>
20	25%
21-29	10%
30+	100%

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

Mortality (Non-uniformed): For healthy lives, Pri-2012 Amount-Weighted Mortality Tables, further adjusted to reflect Mortality Improvement Scale MP-2020 from the 2012 base year and projected forward using MP-2020 on a generational basis, with sex-distinct employee rates before benefit commencement and healthy annuitant rates after benefit commencement. For disabled lived, Pri-2012 Amount-Weighted Disabled Mortality Tables, further adjusted to reflect Mortality Improvement Scale MP-2020 from the 2012 base year and projected forward using MP-2020 on the generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

Mortality (Police): PUBS-2010 Mortality Tables for Public Safety employees projected on a generational basis using Scale MP-2020, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participant. 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.

Changes since Prior Actuarial Valuation

The changes listed below reflect differences from the January 1, 2018 actuarial valuation to the January 1, 2020 actuarial valuation.

- The discount rate was reduced from 2.74% per year to 2.12% per year as of December 31, 2020. This discount rate is based on the Bond Buyer Go 20-Year Bond Municipal Bond Index as of December 31, 2020 (2.12%), in accordance with GASB 75 and 75.
- Per Capita claims costs were valued based on the State of Delaware Postretirement Health Plan Actuarial Valuation Report as of July 1, 2020.
- Healthcare trend assumptions were updated based on the most recent Society of Actuaries Getzen Model.
- The mortality tables were updated from RP-2000 projected with Scale AA for all employees to Pri-2012 Amount Weighted mortality for Town employees and Pub-2010 Amount Weighted mortality for Public Safety employees for Police, projected with SOA Scale MP-2020.
- The inflation assumption was updated from 2.3% per year to 2.2% per year.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

Actuarial Cost Method

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

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

OPEB Liability

The Town's OPEB liability has been measured as of December 31, 2020. The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, 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, 2019	\$ 11,556,000
Service cost	574,674
Interest on total OPEB liability	329,180
Effect of economic/demographic gains or losses	(27,196)
Effect of assumption changes or inputs	54,530
Benefit payments	(169,788)
Implicit rate subsidy payments	(65,400)
Net Changes	696,000
Balance at December 31, 2020	\$ 12,252,000

Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the discount rate of 2.12%, 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 (1.12%) or one percentage point higher (3.12%) than the current rate.

	1% Decrease 1.12%	Discount Rate 2.12%	1% Increase 3.12%
Total OPEB liability	\$ 14,433,000	\$ 12,252,000	\$ 10,502,000

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 10,170,000	\$ 12,252,000	\$ 14,944,000

OPEB expense and deferred inflows related to OPEB

For the year ended December 31, 2020, the Town recognized OPEB expense of \$992,564. At December 31, 2020, the Town had deferred inflows of resources related to the OPEB plan from the following source:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 24,174	\$ -
Change in assumptions	662,729	1,491,266
Total	\$ 686,903	\$ 1,491,266

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,	
2021	\$ 88,710
2022	88,710
2023	88,710
2024	88,710
2025	88,710
Thereafter	360,813
	\$ 804,363

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 16: DEFERRED COMPENSATION PLAN

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

NOTE 17: POWER SALES CONTRACTS

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

Participating members purchase 100% of their electric supply requirements from DEMEC under long-term full requirements service contracts that became effective January 1, 2004 and which will remain in effect unless terminated upon one year’s written notice by either party. The obligation of the participating member to purchase and pay for full requirements service, including its allocated costs under any then current forward contract for capacity and energy between DEMEC and a third party in effect as of the date of notice of termination, shall survive the termination of this Agreement.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 17: POWER SALES CONTRACTS - CONTINUED

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

NOTE 18: COMMITMENTS AND CONTINGENCIES

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

As of December 31, 2020, the Town has incurred costs of \$2,565,968 for capital improvement projects that are not under formal commitments.

As of December 31, 2020, 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, 2020	Remaining Commitments
South Main Utility Replacement Project	\$ 5,475,240	\$ 5,053,043	\$ 422,197

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.

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.

TOWN OF SMYRNA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 18: COMMITMENTS AND CONTINGENCIES - CONTINUED

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.

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 \$699,001 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$232,240 has been classified as a liability and will be recognized as revenue over time as the Town is able to establish an enforceable legal claim to these resources.

NOTE 21: SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	FOR THE YEAR ENDING DECEMBER 31,						
	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	\$ 125,415	\$ 111,578	\$ 109,465	\$ 104,549	\$ -	\$ 331,406	\$ 327,657
Interest on total pension liability	357,523	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	236,413	102,802	338,389	78,215	1,056	(498,285)	44,041
Effect of assumption changes or inputs	3,064,000	121,768	-	-	(387,469)	1,372,943	-
Benefit payments	(312,351)	(316,751)	(331,371)	(340,874)	(340,874)	(338,363)	(359,975)
Net change in total pension liability	3,471,000	360,000	437,000	155,000	722,000	(3,616,000)	580,701
Total pension liability, beginning	7,974,000	7,614,000	7,177,000	7,022,000	6,300,000	9,916,000	9,335,299
Total pension liability, ending (a)	\$ 11,445,000	\$ 7,974,000	\$ 7,614,000	\$ 7,177,000	\$ 7,022,000	\$ 6,300,000	\$ 9,916,000
FIDUCIARY NET POSITION							
Employer contributions	\$ 60,000	\$ -	\$ -	\$ -	\$ 49,032	\$ 480,531	\$ 743,174
Member contributions	28,876	28,145	22,802	22,704	-	102,816	94,055
Investment income (loss) net of investment expenses	130,521	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	(312,351)	(316,751)	(331,371)	(340,874)	(340,874)	(338,363)	(359,975)
Administrative expenses	(3,515)	(2,215)	(2,060)	(1,944)	(1,866)	(1,728)	(5,035)
Net change in fiduciary net position	(96,469)	(103,259)	(229,044)	(192,707)	586,229	(4,360,330)	635,327
Fiduciary net position, beginning	2,982,492	3,085,751	3,314,795	3,507,502	2,921,273	7,281,603	6,646,276
Fiduciary net position, ending (b)	\$ 2,886,023	\$ 2,982,492	\$ 3,085,751	\$ 3,314,795	\$ 3,507,502	\$ 2,921,273	\$ 7,281,603
Net pension liability [(a) - (b)]	\$ 8,558,977	\$ 4,991,508	\$ 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	25.22%	37.40%	40.53%	46.19%	49.95%	46.37%	73.43%
Covered payroll	\$ 403,437	\$ 336,232	\$ 334,369	\$ 320,586	\$ 315,474	N/A	\$ 1,381,065
Net pension liability as a percentage of covered payroll	2,121.52%	1,484.54%	1,354.27%	1,204.73%	1,114.04%	N/A	190.75%
Annual money-weighted return, net of investment expenses	4.60%	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,						
	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	\$ 259,375	\$ 234,363	\$ 270,693	\$ 294,515	\$ 275,113	\$ 291,036	\$ 307,110
Interest on total pension liability	615,698	630,191	594,895	582,060	564,540	530,764	500,216
Effect of economic/demographic (gain) or loss	2,320	(215,736)	248,783	(250,777)	135,050	163,217	(34,663)
Effect of assumption changes or inputs	(1,350,400)	1,483,394	-	-	1,032,549	(81,634)	-
Benefit payments	(507,993)	(449,212)	(363,371)	(351,798)	(345,252)	(304,383)	(194,963)
Net change in total pension liability	(981,000)	1,683,000	751,000	274,000	1,662,000	599,000	577,700
Total pension liability, beginning	13,674,000	11,991,000	11,240,000	10,966,000	9,304,000	8,705,000	8,127,300
Total pension liability, ending (a)	<u>\$ 12,693,000</u>	<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	\$ 546,486	\$ 529,975	\$ 279,021	\$ 139,510	\$ 136,425	\$ 305,054	\$ 282,736
Member contributions	39,676	40,302	46,479	49,954	52,423	56,961	60,579
Investment income (loss) net of investment expenses	841,002	1,167,156	(194,613)	670,461	320,021	(163,460)	83,666
Benefit payments	(507,993)	(449,212)	(363,371)	(351,798)	(345,252)	(304,383)	(194,963)
Administrative expenses	(4,421)	(3,183)	(2,723)	(2,510)	(2,456)	(1,949)	(4,159)
Net change in fiduciary net position	914,750	1,285,038	(235,207)	505,617	161,161	(107,777)	227,859
Fiduciary net position, beginning	9,693,908	8,408,870	8,644,077	8,138,460	7,977,299	8,085,076	7,857,217
Fiduciary net position, ending (b)	<u>\$ 10,608,658</u>	<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>\$ 2,084,342</u>	<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	83.58%	70.89%	70.13%	76.90%	74.22%	85.74%	92.88%
Covered payroll	\$ 1,547,114	\$ 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	134.72%	218.10%	176.67%	126.12%	123.27%	56.04%	25.34%
Annual money-weighted return, net of investment expenses	8.72%	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>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Reporting Date Measurement	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Town's proportionate share of the net pension liability	1.56%	1.41%	1.48%	1.76%	1.00%
Town's proportion of the net pension liability - dollar value	\$ 239,640	\$ 403,856	\$ 341,272	\$ 177,377	\$ 158,206
Covered payroll - plan year	1,417,054	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	16.91%	32.69%	27.73%	12.27%	21.82%
Plan fiduciary net position as a percentage of the total pension liability	96.67%	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, 2020</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	2.56%	2.46%	2.57%	2.57%	2.01%
Town's proportion of the net pension liability - dollar value	\$ 54,375	\$ 112,865	\$ 80,815	\$ 166,558	\$ 124,341
Covered payroll	1,248,140	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	4.36%	10.31%	8.67%	17.94%	23.14%
Plan fiduciary net position as a percentage of the total pension liability	96.95%	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
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%
2020	1,086,016	-	1,086,016	403,437	0.00%

Notes to Schedule:

Valuation date	January 1, annually
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	6 years (10 years starting January 1, 2016)
Amortization period	Closed
Asset valuation method through 2019	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.
Asset valuation method through 2020	Market value

Actuarial assumptions:

Investment rate of return	4.50%
Discount rate	2.43%
Projected salary increases	Based on years of service, including underlying inflation of 3%
Cost of living adjustments	N/A

Mortality - 2019 through 2020:

PUBS-2019 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. The Mortality Tables and Scale were updated to the 2020 version for the December 31, 2020 measurement.

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

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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%
2020	683,125	546,486	136,639	1,547,114	35.32%

Notes to Schedule:

Valuation date	January 1, annually
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	6 years (10 years beginning January 1, 2016)
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 - 2020	5.25%
Investment rate of return - 2019	4.50%
Investment rate of return - through 2018	5.25%
Discount rate - 2020	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 - 2020:

The mortality rates from the PRI-2012 Mortality Tables were projected with Mortality Improvement Scale MP-2020 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 - 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>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Contractually required contribution	\$ 237,937	\$ 230,454	\$ 173,357	\$ 161,375	\$ 207,487
Contributions in relation to the contractually required contribution	<u>237,937</u>	<u>230,454</u>	<u>173,357</u>	<u>161,375</u>	<u>207,487</u>
Contribution excess	<u>\$ -</u>				
Covered payroll - Town year	\$ 1,416,778	\$ 1,362,282	\$ 1,235,825	\$ 1,275,598	\$ 1,700,501
Contributions as a percentage of covered payroll	16.79%	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>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Contractually required contribution	\$ 114,135	\$ 82,923	\$ 77,775	\$ 65,561	\$ 56,582
Contributions in relation to the contractually required contribution	<u>114,135</u>	<u>82,923</u>	<u>77,775</u>	<u>65,561</u>	<u>56,582</u>
Contribution excess	<u>\$ -</u>				
Covered payroll	\$ 1,595,929	\$ 956,687	\$ 920,240	\$ 922,197	\$ 866,280
Contributions as a percentage of covered payroll	7.15%	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

	2020	2019	2018
<u>TOTAL OPEB LIABILITY</u>			
Service cost	\$ 574,674	\$ 432,000	\$ 488,480
Interest on total OPEB liability	329,180	388,236	338,523
Effect of economic/demographic gains or losses	(27,196)	-	-
Effect of assumption changes or inputs	54,530	1,803,493	(946,757)
Benefit payments	(169,788)	(207,729)	(183,491)
Implicit rate subsidy payments	(65,400)	-	-
NET CHANGE IN TOTAL OPEB LIABILITY	696,000	2,416,000	(303,245)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	11,556,000	9,140,000	9,443,245
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 12,252,000</u>	<u>\$ 11,556,000</u>	<u>\$ 9,140,000</u>
Covered payroll	\$ 4,589,632	\$ 4,453,460	\$ 4,453,460
OPEB liability as a percentage of covered payroll	266.95%	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, 2018 actuarial valuation to the January 1, 2020 actuarial valuation. The discount rate was reduced from 2.74% per year to 2.12% per year as of December 31, 2020. This discount rate is based on the Bond Buyer GO 20-Year Bond Municipal Bond Index, in accordance with GASB Statements 74 and 75, as of December 31, 2020. The discount rate was 3.44% as of December 31, 2017, 4.10% as of December 31, 2018, 2.74% as of December 31, 2019, and 2.12% as of December 31, 2020.

Per Capita claims costs were valued based on the State of Delaware Postretirement Health Plan Actuarial Valuation Report as of July 1, 2020.

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

The mortality tables were updated from RP-2000 projected with Scale AA for all employees to Pri-2012 Amount Weighted mortality for Town employees and Pub-2010 Amount Weighted mortality for Public Safety employees for Police, projected with SOA Scale MP-2020.

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.

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.

SUPPLEMENTARY INFORMATION SECTION

TOWN OF SMYRNA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	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	\$ 718,944	\$ 8,123	\$ 5,349	\$ 33,587	\$ 12,458	\$ 778,461
Investments	190,185	-	-	-	-	190,185
TOTAL ASSETS	<u>\$ 909,129</u>	<u>\$ 8,123</u>	<u>\$ 5,349</u>	<u>\$ 33,587</u>	<u>\$ 12,458</u>	<u>\$ 968,646</u>
FUND BALANCES:						
Restricted for:						
Police expenditures	\$ -	\$ 8,771	\$ 5,349	\$ 33,587	\$ 12,458	\$ 60,165
Public works expenditures	908,481	-	-	-	-	908,481
TOTAL FUND BALANCES	<u>908,481</u>	<u>8,771</u>	<u>5,349</u>	<u>33,587</u>	<u>12,458</u>	<u>968,646</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 908,481</u>	<u>\$ 8,771</u>	<u>\$ 5,349</u>	<u>\$ 33,587</u>	<u>\$ 12,458</u>	<u>\$ 968,646</u>

TOWN OF SMYRNA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
REVENUES						
Intergovernmental	\$ 244,283	\$ -	\$ -	\$ -	\$ -	\$ 244,283
Investment income	952	-	-	-	-	952
TOTAL REVENUES	245,235	-	-	-	-	245,235
EXPENDITURES						
Current:						
Public safety	-	-	1,560	1,040	21,587	24,187
Public works	51,464	-	-	-	-	51,464
TOTAL EXPENDITURES	51,464	-	1,560	1,040	21,587	75,651
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	193,771	-	(1,560)	(1,040)	(21,587)	169,584
OTHER FINANCING SOURCES (USES)						
Transfers out	-	(3,581)	(5,797)	-	-	(9,378)
TOTAL OTHER FINANCING SOURCES	-	(3,581)	(5,797)	-	-	(9,378)
NET CHANGES IN FUND BALANCE	193,771	(3,581)	(7,357)	(1,040)	(21,587)	160,206
FUND BALANCES, BEGINNING OF YEAR	715,358	11,704	12,706	34,627	34,045	808,440
FUND BALANCES, END OF YEAR	\$ 909,129	\$ 8,123	\$ 5,349	\$ 33,587	\$ 12,458	\$ 968,646

TOWN OF SMYRNA
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2020
(With summarized comparative data for 2019)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals 2020	2019
ASSETS				
Cash and cash equivalents	\$ 607,960	\$ 321,712	\$ 929,672	\$ 1,009,624
Prepaid expense	17,983	37,492	55,475	58,075
Accounts receivable	-	259	259	-
Contributions receivable	7,818	102,759	110,577	78,693
Interest receivable	-	30,428	30,428	28,209
Investments at fair value				
Equities	-	1,523,227	1,523,227	1,344,375
Mutual funds	197,410	1,809,628	2,007,038	1,661,013
Fixed income	-	4,795,934	4,795,934	4,539,856
Exchange-traded funds	44,852	-	44,852	118,885
Insurance contracts	2,048,413	2,025,984	4,074,397	3,897,631
TOTAL ASSETS	\$ 2,924,436	\$ 10,647,423	\$ 13,571,859	\$ 12,736,361
LIABILITIES AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 38,413	\$ 38,765	\$ 77,178	\$ 59,961
NET POSITION				
Assets held in trust for employee pension benefits	2,886,023	10,608,658	13,494,681	12,676,400
TOTAL LIABILITIES AND NET POSITION	\$ 2,924,436	\$ 10,647,423	\$ 13,571,859	\$ 12,736,361

TOWN OF SMYRNA
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Summarized Comparative Data for the Year Ended December 31, 2019)

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals 2020	2019
ADDITIONS:				
Contributions:				
Employer contribution	\$ 60,000	\$ 546,486	\$ 606,486	\$ 529,975
Employee contribution	28,876	39,676	68,552	68,447
Total Contributions	88,876	586,162	675,038	598,422
Investment Income:				
Interest and dividends	41,337	277,808	319,145	433,690
Net appreciation in fair value of investments	110,582	672,193	782,775	1,050,245
Total Investment Income	151,919	950,001	1,101,920	1,483,935
Less: investment expense	21,398	108,999	130,397	129,217
Net Investment Income	130,521	841,002	971,523	1,354,718
TOTAL ADDITIONS	219,397	1,427,164	1,646,561	1,953,140
DEDUCTIONS:				
Benefits paid	312,351	507,993	820,344	765,963
Administrative expenses	3,515	4,421	7,936	5,398
TOTAL DEDUCTIONS	315,866	512,414	828,280	771,361
CHANGE IN NET POSITION	(96,469)	914,750	818,281	1,181,779
NET POSITION, BEGINNING OF YEAR	2,982,492	9,693,908	12,676,400	11,494,621
NET POSITION, END OF YEAR	\$ 2,886,023	\$ 10,608,658	\$ 13,494,681	\$ 12,676,400

STATISTICAL SECTION

This part of the Town of Smyrna's annual comprehensive 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 annual comprehensive 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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities										
Net investment in capital assets	\$ 21,014,581	\$ 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
Restricted for police	60,165	93,082	82,732	57,043	66,073	85,488	68,967	79,954	83,336	93,791
Restricted for public works	909,129	715,358	469,997	247,507	254,131	62,150	92,668	135,830	297,609	524,523
Unrestricted	(16,396,994)	(12,710,653)	(11,294,294)	(10,408,860)	(8,731,027)	(7,506,315)	(5,598,175)	(824,096)	352,459	773,079
Total governmental activities net position	\$ 5,586,881	\$ 6,901,101	\$ 5,121,758	\$ 6,107,443	\$ 8,491,948	\$ 9,826,779	\$ 11,074,600	\$ 16,714,415	\$ 18,534,013	\$ 17,802,220
Business-Type Activities										
Net investment in capital assets	\$ 35,288,189	\$ 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
Restricted for capital projects	-	-	-	833,060	729,995	597,161	1,409,939	195,702	236,335	1,036,547
Restricted for rural economic development	300,000	300,000	300,000	300,000	300,000	300,000	-	-	-	-
Unrestricted	1,400,090	1,624,729	1,206,364	(189,892)	538,448	1,226,816	178,726	1,602,722	1,231,180	2,516,567
Total business-type activities net position	\$ 36,988,279	\$ 35,314,772	\$ 31,953,027	\$ 31,535,213	\$ 31,341,360	\$ 30,894,025	\$ 28,868,934	\$ 29,129,912	\$ 27,049,436	\$ 26,753,291
Primary government										
Net investment in capital assets	\$ 56,302,770	\$ 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
Restricted for police	60,165	93,082	82,732	57,043	66,073	85,488	68,967	79,954	83,336	93,791
Restricted for public works	909,129	715,358	469,997	247,507	254,131	62,150	92,668	135,830	297,609	524,523
Restricted for capital projects	-	-	-	833,060	729,995	597,161	1,409,939	195,702	236,335	1,036,547
Restricted for rural economic development	300,000	300,000	300,000	300,000	300,000	300,000	-	-	-	-
Unrestricted	(14,996,904)	(11,085,924)	(10,124,409)	(10,598,752)	(8,192,579)	(6,279,499)	(5,419,449)	778,626	1,583,639	3,289,646
Total primary government	\$ 42,575,160	\$ 42,215,873	\$ 37,038,306	\$ 37,642,656	\$ 39,833,308	\$ 40,720,804	\$ 39,943,534	\$ 45,844,327	\$ 45,583,449	\$ 44,555,511

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 - CONTINUED
Last ten fiscal years ending December 31,
(Unaudited)
Accrual basis of accounting

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities										
General government	\$ 1,599,990	\$ 1,487,670	\$ 1,352,992	\$ 1,173,230	\$ 1,280,321	\$ 1,443,523	\$ 894,143	\$ 916,169	\$ 819,583	\$ 979,679
Public safety	6,817,204	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
Public works	3,854,224	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
Planning and inspection	880,876	863,780	1,036,302	869,710	749,516	633,705	643,618	615,649	686,349	766,442
Library	321,069	434,842	331,280	388,834	376,293	341,392	381,152	341,844	339,695	292,287
Culture and recreation	335,251	358,820	398,277	421,795	407,472	355,338	387,046	312,689	276,295	206,521
Business park	-	-	-	-	-	-	-	-	-	10,360
Neighbourhood housing rehabilitation	-	-	-	-	-	-	427	-	568	-
Interest on long-term debt	244,369	208,676	335,916	102,691	174,999	136,471	116,385	114,366	114,348	215,866
Total governmental activities	14,052,983	12,173,278	11,633,241	10,657,622	10,396,770	11,024,929	10,665,883	10,356,950	10,011,209	9,421,626
Business-type activities										
Electric	12,318,517	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
Water/Sewer	4,157,455	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
Smyrna slum clearance & redevelopment authority	21,959	31,680	27,696	67,231	10,375	12,669	-	-	-	-
Total business-type activities	16,497,931	16,752,965	16,924,484	16,590,818	16,954,699	16,004,709	15,350,686	14,868,191	15,013,778	15,547,787
Total primary government expenses	\$ 30,550,914	\$ 28,926,243	\$ 28,557,725	\$ 27,248,440	\$ 27,351,469	\$ 27,029,638	\$ 26,016,569	\$ 25,225,141	\$ 25,024,987	\$ 24,969,413
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 819,742	\$ 687,653	\$ 671,626	\$ 553,280	\$ 574,466	\$ 183,294	\$ 323,364	\$ 273,283	\$ 242,335	\$ 213,500
Public safety	117,175	77,459	109,195	127,874	129,685	131,790	131,470	156,739	151,054	118,042
Public works	1,577,936	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
Planning and inspection	588,356	549,839	607,274	429,913	404,847	320,600	479,485	369,639	474,028	323,075
Library	903	69,520	83,226	133,556	109,407	87,261	136,257	102,163	96,451	81,233
Operating grants and contributions	794,164	811,774	678,680	676,609	642,231	690,509	593,361	480,870	587,195	734,687
Capital grants and contributions	1,357,656	3,619,305	368,010	143,091	138,995	1,158,725	-	472,216	2,159,991	732,075
Total governmental activities	5,255,932	7,346,680	4,006,757	3,503,769	3,397,144	3,926,920	2,987,041	3,115,509	4,874,242	3,341,218
Business-type activities										
Charges for services										
Electric	13,617,799	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
Water/Sewer	4,547,314	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
Smyrna slum clearance & redevelopment authority	4,149	24,117	17,933	40,248	35,163	38,601	-	-	-	-
Operating grants and contributions	-	20,978	49,054	54,227	-	300,000	208,102	-	11,932	21,365
Capital grants and contributions	1,509,521	2,949,342	698,455	262,637	115,974	1,309,607	-	3,122,453	2,784,485	1,618,655
Total business-type activities	19,678,783	21,139,887	18,570,128	18,047,710	18,420,983	19,372,055	17,058,683	19,138,010	19,567,918	18,985,040
Total primary government program revenues	\$ 24,934,715	\$ 28,486,567	\$ 22,576,885	\$ 21,551,479	\$ 21,818,127	\$ 23,298,975	\$ 20,045,724	\$ 22,253,519	\$ 24,442,160	\$ 22,326,258
Net (expense)/revenue										
Governmental activities	\$ (8,797,051)	\$ (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)
Business-type activities	3,180,852	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
Total primary government net expense	\$ (5,616,199)	\$ (439,676)	\$ (5,980,840)	\$ (5,696,961)	\$ (5,533,342)	\$ (3,730,663)	\$ (5,970,845)	\$ (2,971,622)	\$ (682,827)	\$ (2,643,155)

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Revenues and Other Changes										
In Net Position										
Governmental activities										
Real estate taxes	\$ 4,070,845	\$ 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
Real estate transfer taxes	1,535,056	1,232,870	1,367,617	1,239,454	928,231	844,960	619,310	417,320	512,265	361,336
Franchise fees	232,140	219,067	203,907	199,920	191,544	187,919	181,844	169,336	193,987	146,203
Investment earnings	15,332	117,786	52,138	29,436	20,335	4,054	13,341	24,717	14,490	5,827
Miscellaneous income	129,993	32,900	38,312	49,727	49,223	23,349	46,346	16,699	174,438	117,937
Net (loss) gain on disposal of capital assets	(1,470)	-	-	12,711	-	-	-	-	-	-
Transfers	1,500,935	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
Total governmental activities	<u>7,482,831</u>	<u>6,549,627</u>	<u>6,640,799</u>	<u>6,128,994</u>	<u>5,664,795</u>	<u>5,850,188</u>	<u>5,649,310</u>	<u>5,421,843</u>	<u>5,868,760</u>	<u>4,733,068</u>
Business-type activities										
Investment earnings	3	12	9	127	100	107	154	546	148	140
Net gain (loss) on sale of capital assets	(6,413)	-	-	-	-	-	233,575	-	-	-
Transfers	(1,500,935)	(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)
Total business-type activities	<u>(1,507,345)</u>	<u>(886,674)</u>	<u>(1,227,830)</u>	<u>(1,050,082)</u>	<u>(1,018,949)</u>	<u>(1,342,255)</u>	<u>(1,614,419)</u>	<u>(2,189,343)</u>	<u>(2,625,660)</u>	<u>(2,086,581)</u>
Total primary government	<u>\$ 5,975,486</u>	<u>\$ 5,662,953</u>	<u>\$ 5,412,969</u>	<u>\$ 5,078,912</u>	<u>\$ 4,645,846</u>	<u>\$ 4,507,933</u>	<u>\$ 4,034,891</u>	<u>\$ 3,232,500</u>	<u>\$ 3,243,100</u>	<u>\$ 2,646,487</u>
Change in Net Position										
Governmental activities	\$ (1,314,220)	\$ 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)
Business-type activities	1,673,507	3,500,248	417,814	406,810	447,335	2,025,091	93,578	2,080,476	1,928,480	1,350,672
Total primary government	<u>\$ 359,287</u>	<u>\$ 5,223,277</u>	<u>\$ (567,871)</u>	<u>\$ (618,049)</u>	<u>\$ (887,496)</u>	<u>\$ 777,270</u>	<u>\$ (1,935,954)</u>	<u>\$ 260,878</u>	<u>\$ 2,660,273</u>	<u>\$ 3,332</u>

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Nonspendable	\$ 29,966	\$ 19,811	\$ 23,439	\$ 79,214	\$ 88,594	\$ 86,086	\$ 91,477	\$ 85,899	\$ 83,944	\$ 82,451
Committed	2,457,028	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
Total general fund	\$ 2,486,994	\$ 2,219,324	\$ 2,220,959	\$ 2,028,260	\$ 2,026,314	\$ 2,116,998	\$ 2,518,655	\$ 354,331	\$ 590,274	\$ 809,876
All other governmental funds										
Committed	\$ (280,665)	\$ 944,559	\$ 822,837	\$ 764,997	\$ 502,055	\$ 1,017,678	\$ 943,576	\$ 3,257,475	\$ 2,927,248	\$ 2,177,953
Restricted	968,646	808,440	552,729	304,550	320,204	147,638	161,635	215,784	380,945	618,314
Total all other governmental funds	\$ 687,981	\$ 1,752,999	\$ 1,375,566	\$ 1,069,547	\$ 822,259	\$ 1,165,316	\$ 1,105,211	\$ 3,473,259	\$ 3,308,193	\$ 2,796,267
Total governmental fund balances	\$ 3,174,975	\$ 3,972,323	\$ 3,596,525	\$ 3,097,807	\$ 2,848,573	\$ 3,282,314	\$ 3,623,866	\$ 3,827,590	\$ 3,898,467	\$ 3,606,143

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Property taxes	\$ 4,039,247	\$ 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
Transfer taxes	1,535,056	1,232,870	1,367,617	1,239,454	928,231	844,960	619,310	417,320	512,265	361,336
Special assessment/impact fees	723,785	565,687	547,048	422,657	476,427	138,463	294,875	244,709	207,348	182,977
Charges for services	1,634,083	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
Intergovernmental	844,992	901,223	759,202	839,307	815,668	728,779	679,029	1,022,750	873,207	819,827
Licenses, fees and permits	569,702	426,109	429,001	355,821	337,686	334,700	378,076	392,599	336,364	269,741
Fines and forfeits	86,204	126,213	253,750	144,507	123,931	44,542	142,462	123,365	214,892	130,298
Franchise fees	232,140	219,067	203,907	199,919	191,544	187,919	181,844	169,336	193,997	146,203
Investment income	15,331	117,786	52,138	29,435	20,335	4,054	13,341	24,717	14,490	5,827
Rental income	65,099	94,212	92,052	99,087	65,637	6,600	-	-	-	-
Miscellaneous	220,419	138,979	155,285	211,293	157,360	104,687	153,783	100,844	276,449	185,096
Total revenues	9,966,058	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
Expenditures										
General government	1,250,657	1,276,128	1,136,187	927,507	1,087,840	1,228,783	632,914	706,987	616,650	747,625
Public safety	4,234,658	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
Public works	2,537,139	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
Planning and inspection	866,742	747,817	950,659	799,665	738,930	577,503	572,085	555,314	633,328	730,730
Library	287,028	393,079	281,216	331,875	319,931	309,270	341,625	295,043	305,978	264,527
Culture and recreation	328,140	271,956	341,730	419,075	336,324	300,727	352,336	304,463	240,646	176,990
Business park	-	-	-	-	-	-	-	-	-	10,360
Neighborhood housing rehabilitation	-	-	-	-	-	-	427	335	568	-
Debt service:										
Principal	365,162	301,851	403,044	326,558	4,156,308	154,587	129,000	126,850	122,550	18,640
Interest	253,236	208,732	329,643	102,887	175,064	136,394	116,294	114,261	114,214	88,146
Bond issuance costs	107,586	-	-	-	-	-	-	-	-	66,515
Capital outlay	2,693,991	112,498	330,467	103,240	1,568,041	2,683,063	955,183	474,378	416,257	80,925
Total expenditures	12,924,339	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
Excess of revenues over (under) expenditures	(2,958,281)	(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)
Other financing sources (uses)										
Issuance of debt	504,186	-	312,808	113,591	-	66,405	-	-	-	-
Loan issuance	-	-	-	-	4,920,385	2,679,987	890,009	409,619	-	-
Transfers in	4,374,719	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
Transfers out	(2,873,784)	(2,481,995)	-	(32,687)	(2,216,234)	(920,991)	(2,497,829)	(771,530)	(416,514)	(412,256)
Issuance of refunded debt	6,041,637	-	-	-	-	-	-	-	-	3,275,000
Premium on issuance of refunded debt	693,367	-	-	-	-	-	-	-	-	-
Payment to refunded debt escrow agent	(2,047,322)	-	-	-	-	-	-	-	-	-
Debt service principal	(4,531,870)	-	-	-	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-	-	-	(46,993)
Prepayment of Note	-	-	-	-	-	-	-	-	-	(3,059,986)
Total other financing sources (uses)	2,160,933	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
Net Change in fund balances	\$ (797,348)	\$ 319,484	\$ 498,718	\$ 249,234	\$ (433,741)	\$ (341,552)	\$ 181,707	\$ (70,877)	\$ 292,324	\$ (146,198)
Debt service as a percentage of noncapital expenditures	6%	5%	8%	5%	34%	4%	3%	3%	3%	1%

Source: Town financial reports
Increased percentage as a result of the Town repaying USDA debt

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>
2020	\$ 4,039,247	\$ 1,535,056	\$ 5,574,303
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

Notes

1) Property tax, tax rate of .4000 of 100% assessed value net of discounts and penalties.

2) Transfer taxes equal 1.5% of the real property sales value.

Source: Town financial reports

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

Fiscal Year	Real Property				
	Total Assessed Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value
2020	\$ 1,107,959,098	\$ 135,543,185	\$ 972,415,913	0.44000	*
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	*

* = 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
2020	0.44000	0.44000	0.30000	0.81040	1.38130	1.73580
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

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	2020			2011		
	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	4.11%	\$ 49,683,100	1	5.83%
Sunnyside Apartments	20,148,800	2	2.07%	-		-
Smyrna Professional Properties	18,239,100	3	1.88%	-		0.00%
Worthington Properties, LLC	18,221,600	4	1.87%	23,832,500	3	2.80%
Smyrna Two LLC	14,487,500	5	1.49%	-		0.00%
Liborio III, LP	12,567,836	6	1.29%	47,555,980	2	5.58%
Glenwood Associates, LLC	11,731,100	7	1.21%	-		0.00%
Goldsborough Rd Dev LLC	7,003,270	8	0.72%	-		-
GM Governors Place LLC	6,822,700	9	0.70%	-		-
Bon Ayre Land LLC	6,496,100	10	0.67%	-		-
DLM, LLC	-		0.00%	12,149,860	4	1.43%
Capson of Brandywine, LLC	-		0.00%	7,477,100	5	0.88%
Target Investments	-		0.00%	6,822,700	6	0.80%
Gemcrat Homes	-		0.00%	4,940,200	7	0.58%
Sylvan Valley Real Estate	-		0.00%	5,403,180	8	0.63%
Lenape Development Inc	-		0.00%	3,599,200	9	0.42%
Stover Homes, LLC	-		0.00%	3,012,900	10	0.35%
Total	\$ 155,718,006		16.01%	\$ 164,476,720		19.30%

Source: Town of Smyrna Assessment Office

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>
2020	\$ 4,280,664	\$ 4,162,567	97.24%	\$ -	\$ 4,162,567	97.24%
2019	4,209,487	4,119,651	97.87%	60,384	4,180,035	99.30%
2018	3,956,256	3,788,791	95.77%	143,201	3,931,992	99.39%
2017	3,723,797	3,550,507	95.35%	151,514	3,702,021	99.42%
2016	3,641,735	3,523,608	96.76%	90,019	3,613,627	99.23%
2015	3,605,194	3,515,327	97.51%	60,149	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%

(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	Leases	Bonds	Loans	Bonds	Leases			
2020	\$ -	\$ 506,888	\$ 6,735,004	\$ 12,758,673	\$ 2,925,836	\$ 328,385	\$ 23,254,786	0.30%	1,798
2019	4,609,722	133,033	2,204,300	12,270,410	3,020,700	223,847	22,462,012	0.29%	1,737
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

(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>Business-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						
2020	\$	6,735,004	\$	2,925,836	\$ 9,660,840	0.99%	\$ 747
2019		2,204,300		3,020,700	5,225,000	0.55%	404
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

(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, 2020
Unaudited

	General obligation debt outstanding	Estimated percentage applicable to Town of Smyrna	Estimated share of overlapping debt
Direct Debt			
Bonds Payable	\$ 6,735,004	100.00%	\$ 6,735,004
Capital Lease Payable	506,888	100.00%	506,888
Total direct debt	<u>7,241,892</u>		<u>7,241,892</u>
Overlapping debt (1)			
Kent County	7,113,669	81.00%	5,762,072
New Castle County	166,085,000	19.00%	31,556,150
Smyrna School District	18,443,291	88.19%	16,265,668
Total overlapping debt	<u>191,641,960</u>		<u>53,583,890</u>
Total direct and overlapping debt	<u>\$ 198,883,852</u>		<u>\$ 60,825,782</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

Source: Town, County and District Financial Reports

TOWN OF SMYRNA
LEGAL DEBT MARGIN INFORMATION
Last nine fiscal years ending December 31,
Unaudited (amounts expressed in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debt limit	\$ 43,759	\$ 43,020	\$ 42,341	\$ 41,849	\$ 40,966	\$ 40,519	\$ 39,530	\$ 39,437	\$ 38,376	38,358,000
Total net debt applicable to limit	<u>23,255</u>	<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>13,692,000</u>
Legal debt margin	<u>\$ 20,504</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	53.14%	52.21%	51.25%	54.30%	58.76%	52.91%	46.83%	39.83%	37.38%	35.70%
Total taxable assessment	\$ 972,416									
Debt limit percentage (1)	<u>4.50%</u>									
Debt limit	43,759									
Outstanding Debt	<u>23,255</u>									
Legal debt margin	<u>\$ 20,504</u>									

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

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

Industry	2020			2011		
	Estimated Employees	Rank	Percentage of Total Employment	Estimated Employees	Rank	Percentage of Total Employment
Local Governments	766	1	28.33%	820	2	29.81%
Retail trade	700	2	25.89%	700	3	25.45%
Health care	650	3	24.04%	650	1	23.63%
Manufacturing	588	4	21.75%	581	4	21.12%
Total	2,704		100.00%	2,751		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

TOWN OF SMYRNA**TOP 10 WATER AND WASTEWATER UTILITY CUSTOMERS***For the year ended December 31, 2020**Unaudited*

Customer	Water Consumption (Tgal)	% of Total Consumption	Revenue Billed	% of Total Revenue
Delaware Home & Hospital	11,731	4.2%	\$ 65,239	4.9%
Lenape Properties Mgmt	14,506	5.2%	78,190	5.9%
Smyrna School District	2,780	1.0%	17,638	1.3%
Walmart	6,513	2.3%	37,844	2.9%
DEMEC	3,468	1.2%	19,972	1.5%
Division of Public Health	2,983	1.1%	16,659	1.3%
Fresenius Medical Care	2,489	0.9%	14,107	1.1%
Surya Hospitality Mgmt LLC	1,041	0.4%	6,111	0.5%
Mitra QSR KNE, LLC	1,203	0.4%	7,349	0.6%
McDONALDS	692	0.2%	4,391	0.3%
Totals for Top 10	47,406	16.9%	267,500	20.3%
All Other	233,935	83.1%	1,051,319	79.7%
Total for System	281,341	100.0%	\$ 1,318,819	100.0%

Customer	WasteWater Produced (Tgal)	% of Total Produced	Revenue Billed	% of Total Revenue
Delaware Home & Hospital	11,731	4.2%	\$ 86,291	4.0%
Lenape Properties Mgmt	14,506	5.2%	147,909	6.8%
Smyrna School District	2,780	1.0%	25,441	1.2%
Walmart	6,513	2.3%	54,789	2.5%
Division of Public Health	2,983	1.1%	6,885	0.3%
Fresenius Medical Care	2,489	0.9%	20,335	0.9%
Surya Hospitality Mgmt LLC	1,041	0.4%	8,743	0.4%
Mitra QSR KNE, LLC	1,203	0.4%	10,404	0.5%
McDONALDS	692	0.2%	6,281	0.3%
Albertson Inc	685	0.2%	5,511	0.3%
Totals for Top 10 Customers	44,623	15.9%	372,589	17.1%
All Other	236,718	84.1%	1,802,666	82.9%
Total for System	281,341	100.0%	\$ 2,175,255	100.0%

TOWN OF SMYRNA
TOP 10 ELECTRIC UTILITY CUSTOMERS
For the year ended December 31, 2020
Unaudited

Customer	Kwh	% of Total Kwh	Revenue Billed	% of Total Revenue
Walmart	14,934,480	12.4%	\$ 1,091,573	8.2%
Smyrna School District	8,853,300	7.4%	860,449	6.4%
Delaware Home & Hospital	4,611,840	3.8%	346,181	2.6%
Albertson Inc	4,934,800	4.1%	265,990	2.0%
Smyrna Health/Wellness Center	2,989,200	2.5%	273,005	2.0%
Division of Public Health	2,481,840	2.1%	157,605	1.2%
Food Lion	2,742,560	2.3%	153,736	1.1%
Bayhealth Medical Center	1,354,680	1.1%	127,659	1.0%
Verizon Communications	837,040	0.7%	81,632	0.6%
Wawa	556,380	0.5%	52,831	0.4%
Totals for Top 10 Customers	44,296,120	36.9%	3,410,661	25.5%
All Others	75,739,051	63.1%	9,969,406	74.51%
Total for System	120,035,171	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>
2020	12,933	\$ 7,791,288,000	\$ 43,097	5.20%	5,883
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

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 2019 personal income and per capita personal income information for 2020 since this information is

TOWN OF SMYRNA

FULL-TIME EQUIVALENTS (FTE) EMPLOYEES

Last ten fiscal years ending December 31,

Unaudited

<u>Function/Department</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Government - Administration	16.00	14.00	14.00	16.00	16.00	17.00	16.00	16.00	14.00	14.00
Public Safety - Police	33.00	31.00	31.00	30.00	28.00	29.00	29.00	28.00	30.00	29.00
Public Works	17.00	13.00	12.00	12.00	15.00	12.00	13.00	13.00	12.00	12.00
Planning and Inspection	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00
Library	2.00	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	2.00	4.00	5.00	3.00	3.00	2.00	2.00	1.00
General Fund Total	<u>77.00</u>	<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>
Public Utilities	8.00	8.00	9.00	10.00	10.00	7.00	8.00	8.00	8.00	8.00
Electric Fund Total	<u>8.00</u>	<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>
Public Utilities	3.00	3.00	4.00	5.00	5.00	4.00	3.00	4.00	4.00	4.00
Water and Sewer Fund Total	<u>3.00</u>	<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>
Total Staff	<u>88.00</u>	<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>

TOWN OF SMYRNA

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

Function	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety										
Calls for service	18,889	18,380	17,520	17,071	16,036	18,431	16,810	19,743	21,079	21,383
Criminal arrests	669	711	791	1,009	957	943	1,065	712	523	1,572
Dui arrests	64	57	60	64	49	68	81	98	110	96
Traffic warnings	2,209	2,388	1,555	1,143	557	1,004	1,321	2,447	2,433	2,503
Traffic arrests	3,195	2,871	2,485	2,697	2,285	2,211	2,670	3,747	4,240	3,084
Planning and Inspection										
Total fees collected for construction (1)	\$ 1,905,129	\$ 1,614,309	\$ 1,612,366	\$ 1,120,034	\$ 1,143,456	\$ 882,547	\$ 900,689	\$ 704,287	\$ 695,521	\$ 490,514
Construction inspections (2)	2,735	2,558	2,418	2,172	1,831	1,085	820	801	728	703
Permits issued	872	846	715	1,134	642	389	272	312	324	341
Public Library										
Total number of registered borrowers	6,987	6,987	7,017	8,610	8,922	8,434	7,603	7,950	8,148	7,835
Attendance per year	51,053	77,502	76,230	82,448	89,704	88,025	84,713	87,432	89,411	82,987
Total book circulation	22,046	69,958	68,281	73,683	81,754	NA	NA	NA	NA	NA
E books circulation	13,164	12,039	10,136	10,858	18,889	8,496	5,529	NA	NA	NA
Electronic materials	40,319	35,932	32,494	30,303	28,315	30,780	20,535	15,167	11,458	-
Number of books	21,887	22,046	22,063	22,740	23,422	24,312	24,024	23,843	23,751	22,723
Water utility										
Gallons used	276,551,000	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
Connections	5,623	5,422	5,264	5,088	4,938	4,822	4,755	4,671	4,305	3,789
Electric utility										
Usage Sales (kwh)	121,262,134	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
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

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

Source: Town records