



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2014

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2014**

**Prepared by:**

**Gary F. Stulir, Manager of Accounting & Business Services**

**Business Office Staff**

**INTRODUCTORY SECTION**



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# Town of Smyrna

DAVID S. HUGG III, TOWN MANAGER

May 13, 2015

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

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Town of Smyrna. This report is for the fiscal year ended December 31, 2014. This report is published to comply with the provisions of Section 8.4 of the Town Code. The Comprehensive Annual Financial Report (CAFR) is a report that tells the financial story of the Town through narrative, financial statements, and charts/graphs. The CAFR not only gives the summary and detailed information for the year being reported, but also includes information for the previous 10 years. It is also intended to provide financial data to the tax and ratepayers, bondholders, trustees, banks, federal and state agencies, and the financial community at large.

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

The financial statements in this report have been audited by Barbacane, Thornton and Company LLP, an independent firm of certified public accountants as required by section 8.4 of the Town Code. Barbacane, Thornton and Company LLP has provided

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

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an unmodified opinion on the Town's financial statements for the year ended December 31, 2014. The independent auditor's report is located at the front of the financial section of this report.

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

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

### **Profile of the Town**

This CAFR includes all funds of the Town, consistent with the guidance contained in GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 39 and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," which established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. The criteria used by the Town to evaluate whether additional entities should be included in the Town's reporting entity as component units are financial interdependencies, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships.

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

The Town of Smyrna was incorporated in 1817, under the provisions of the State of Delaware. The Town's strategic location in the northeast, in addition to its location 12 miles north of the State Capital of Dover, and 30 miles south of the major business

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

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center of Newark and Wilmington, makes it a competitive location for business. Smyrna's historic small town atmosphere and its great pride in its quality of life and educational system make it highly desirable for families and homeowners. Smyrna was named in the top 100 best places to retire and was listed in This Old House's 2009 Best Old-House Neighborhoods. The Office of State Planning listed Smyrna as having the largest number of residential building permits of any municipality in the 2008 and 2009 years. Delaware Today magazine in the March 2011 issue conducted a survey and rated Delaware's 35 towns based on this survey. This ranking placed the Town second in property tax rates and cultural offerings, third in shopping, dining and nightlife, and seventh in the quality of its school district. Following the 2010 census, the Town is now at the geographic center of the State's population.

The Town currently occupies a land area of five square miles and serves a population of approximately 11,330 as of December 2014. The official census count as of April 2010 places the Town's population at 10,023. This is a 76 percent increase from the year 2000 census count that placed the Town's population count at 5,679. Smyrna is now Delaware's fifth largest municipality moving ahead of Milford and Seaford in the past decade. Recent demographic data shows growth in both young families and in residents 55+, increasing personal incomes, and a consistently high home ownership rate.

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

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

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

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

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in March 2013) and by an Emergency Management Service (EMS) provided by Kent County. The Town provides funding to the Citizens' Hose Company and the Legion for assistance with operating costs. These payments are part of the General Fund operating budget. Both the fire and ambulance services receive dedicated "impact fees" to help them meet their capital needs generated by new development. The Town is also served by a recently opened 24-hour Emergency Department and other services operated by Bayhealth 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.

The Town Council shall, on or before the second regular Town Council meeting in December of each year, adopt a budget for the succeeding fiscal year. This annual budget serves as the foundation for the Town of Smyrna's financial planning and control. The budget is prepared by fund and department.

### **Town Facilities and Departments**

The Town's main administration building located at 27 South Market Street Plaza houses the Town Manager's Office, Business Office, Planning and Inspection Office, and Council Chambers. The Town Manager is responsible for implementing policies enacted by the Mayor and Council by providing day-to-day administration and operational management of the Town Staff. The Business Office handles utility and tax billing, computer systems management, personnel, accounting and financial management services, and voter operations. The Planning and Inspection Office handles building permits, subdivision and site plan approvals, and rental and building construction inspections.

The Police Department is located at 325 West Glenwood Avenue with a contingent of 22 sworn officers and seven civilian employees, as well as 24-hour emergency police dispatching. In order to deal with specialized law enforcement situations, the Department has several highly-trained units such as the K-9 Unit, School Resource Officer, DARE Officer, Special Investigation Unit, Tactical Team, Motorcycle Patrol Unit, and Bicycle Patrol Unit.

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

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

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

### **Local Economy**

The Town has continued to witness new development even during recent downturn in the economy. Continued growth includes additional residential construction and new businesses leading to employment opportunities. Through the Town's Economic Development Committee and economic development consultant, the Town has an aggressive program to retain and recruit businesses.

Major employers located within the Town's boundaries include Delaware Home and Hospital for the Chronically Ill, Wal-Mart Distribution Center, Smyrna School District, Delaware Health and Social Services, Bayhealth Medical Center, services affiliated with Christiana Care Medical System, and the Town of Smyrna.

The Vaughn Correctional Center is a large (state government) employer just outside town limits. Additionally the Town has a robust and diverse local business community serving many of the shopping, service, recreational, medical, and other needs of this growing community.

During fiscal year 2014, a total of 24 new businesses were approved. Included in the new businesses are a wide variety of professional and general offices and retail stores offering personal services, food and entertainment, healthcare and beauty supplies, clothing and auto services, and a recently opened microdistillery and microcraft brewery.

The current unemployment rate within Kent County was reported at 4.0 percent as compared to 6.0 percent in the prior year and is slightly lower than the State's unemployment rate of 4.6 percent.

While new construction continued during the fiscal year, construction fees received increased by approximately 28 percent from the prior year. This increase is a reflection that the economic conditions are slowly continuing to get better. The Town issued approximately 272 building permits with a construction value of \$12.9 million. Ninety new residences were approved involving a mix of single family dwellings, duplexes, apartments, and townhouses which potentially could add another 175-200 residents to the Town as these units get occupied.

Several new residential subdivisions continue to build or are approved to be built. In the near future, Town Officials also eagerly anticipate several new residential developments north of Duck Creek into the New Castle County side of Town. A 200 acre+ privately-

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

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owned business park is under development north of Duck Creek as are plans for a number of expanded or new businesses as water and sewer become available in the area.

### **Long-term Financial Planning**

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

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

Post-employment benefits costs continue to have a significant impact on the Town's financial condition as a result of the continued implementation of Governmental Accounting Standards Board (GASB) Statement No. 45, which became effective in 2009. The GASB now requires that governments disclose the actuarial valuation of its post-employment benefits. Governments are not required to fund this liability or make a contribution. However, the GASB standard requires that the government disclose these amounts in its financial statements. According to the GASB, governments may choose to advance fund their OPEB liability with an OPEB Annual Contribution.

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

### **Major Initiatives**

Phase I of the downtown "four corners" project was completed in 2009, which involved significant upgrades to the electric, street, water, and sewer infrastructure; also, the Town completed a downtown streetscape project which involved installing new brick sidewalks and new lamp posts and the placement of utilities underground. This initiative fostered additional private development and renovation in the historic core of our central business district. The Town recently completed water, sewer, street, and electric improvements in the "four corners" portion of Commerce Street. This initiative

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

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improved utilities and the commercial vitality of two more blocks of the historic downtown area. Two underutilized historic buildings at the “four corners” are undergoing extensive renovations to support a bakery, fine dining establishment, and upscale downtown apartments. The state’s first stand-alone microdistillery opened in 2014 in a renovated historic building downtown as well.

In 2010, Town Council authorized the borrowing of up to \$5,975,000 from the Delaware Water Pollution Control Revolving Fund to finance a number of municipal projects to improve, upgrade, and expand the Town of Smyrna wastewater system. These projects include replacement of old sewer mains, upgrades of a number of lift stations, and sewer extensions north of Duck Creek. In 2013, the Town was approved for a United States Department of Agriculture (USDA) loan to construct a water system that will extend into future growth areas north of the Town along with plans for sewer extensions in support of future economic development opportunities and residential growth. Both projects were substantially underway by the end of 2013 and should be online in mid-2015. The Town was just approved for two water system planning grants from the State Division of Public Health to undertake an analysis of replacement and upgrade requirements in the future, and preparation of a source water protection plan for the water supply at Well No.3.

In addition, in 2009, Town Council authorized the borrowing of up to \$3,768,000 from the Delaware Drinking Water State Revolving Fund available under the “American Recovery and Reinvestment Act” (ARRA) to construct a number of projects to improve and upgrade the Town of Smyrna’s water distribution system. These projects addressed obsolete water main and treatment facilities essential for the provision of high quality water services. The Town was one of only six municipalities in Delaware to receive ARRA funding and was the first community in Delaware to be both awarded and complete a water project under the “stimulus” program. These projects were completed in 2011 and 2013.

The Town was a recipient of a state recycling grant to help implement curbside recycling for all single-family homes and some businesses. The program started on July 1, 2011 and has been running smoothly. To date, about 20 to 25 percent of the total volume of trash is recycled, saving the Town and its residents on disposal costs and helping to improve the environment.

The Town initiated planning, completed a needs assessment, and fostered the organization of a citizens-based Library Guild to begin the process of obtaining a new regional library to be located in the middle of the historic downtown. Significant design and site analyses have been completed with ongoing discussion about how to best address long-term operating and maintenance requirements. A governance study was recently completed through the University of Delaware’s Institute for Public Policy to address long-term operation, maintenance, and management. Preliminary architectural

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

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and site design are underway; one of two smaller parcels desired for the site has been acquired and negotiations are underway for the remaining parcel. Additionally, the Town worked in collaboration with another citizen's based "Friends" group to preserve and promote the historically significant Belmont Hall building and site. This previously underutilized asset is now open for public use and hosts numerous educational, cultural, and other events.

During 2013, a needs assessment and preliminary design and engineering were undertaken for construction of a major renovation and expansion of the Smyrna Police Department. The Town has received USDA funding to construct this critically needed public safety improvement which began in 2014. Construction of this facility is expected to be completed by fall 2015.

In 2014, Town Council reauthorized the Smyrna Slum Clearance and Redevelopment Authority (RDA) to address deteriorated areas, provide funding to property owners for façade improvements, and secure sources of funding for financial assistance to business prospects. A grant request is pending at USDA for a Rural Development grant (RDLEG program) to finance a revolving loan program for business reinvestment. Additionally, a USDA grant under the Rural Business Enterprise Grant (RBEG program) was awarded to support further development of marketing strategies for the community.

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

### **Accounting System and Budgetary Control**

All governmental funds utilize the modified accrual basis of accounting with revenue being recorded when susceptible to accrual, both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on general long-term debt which is recognized when due. Financial statements for the Proprietary Fund are maintained on the accrual basis of accounting, with revenue recognized when earned and expenses recorded when incurred.

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

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

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records for preparing financial statements; and (3) maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost and benefits requires estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that the Town's internal accounting controls: (1) adequately safeguard assets; (2) provide reasonable assurance of proper recording of financial transactions; and (3) maintain accountability for assets.

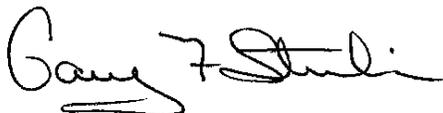
The Town budgets and expends funds following the Town Code. The Town's annually required budgets are the approved spending plan for the fiscal year and are revised as necessary, in compliance with the requirements of the Town Code. Legal budgetary control is maintained at the department level under the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

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Smyrna for its comprehensive annual financial report for the fiscal year ended December 31, 2013. 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 fifth time Smyrna has been recognized by the GFOA.

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

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



Gary F. Stulir  
Manager Accounting & Business Services



David S. Hugg, III  
Town Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Smyrna  
Delaware**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

**TOWN OF SMYRNA**

List of Elected and Appointed Officials

December 31, 2014

**Elected Officials**

Joanne Masten  
Regina Brown  
Anthony DeFeo  
Valerie M. White  
Robert C. Johnson  
John Embert  
Andrea Rodriguez

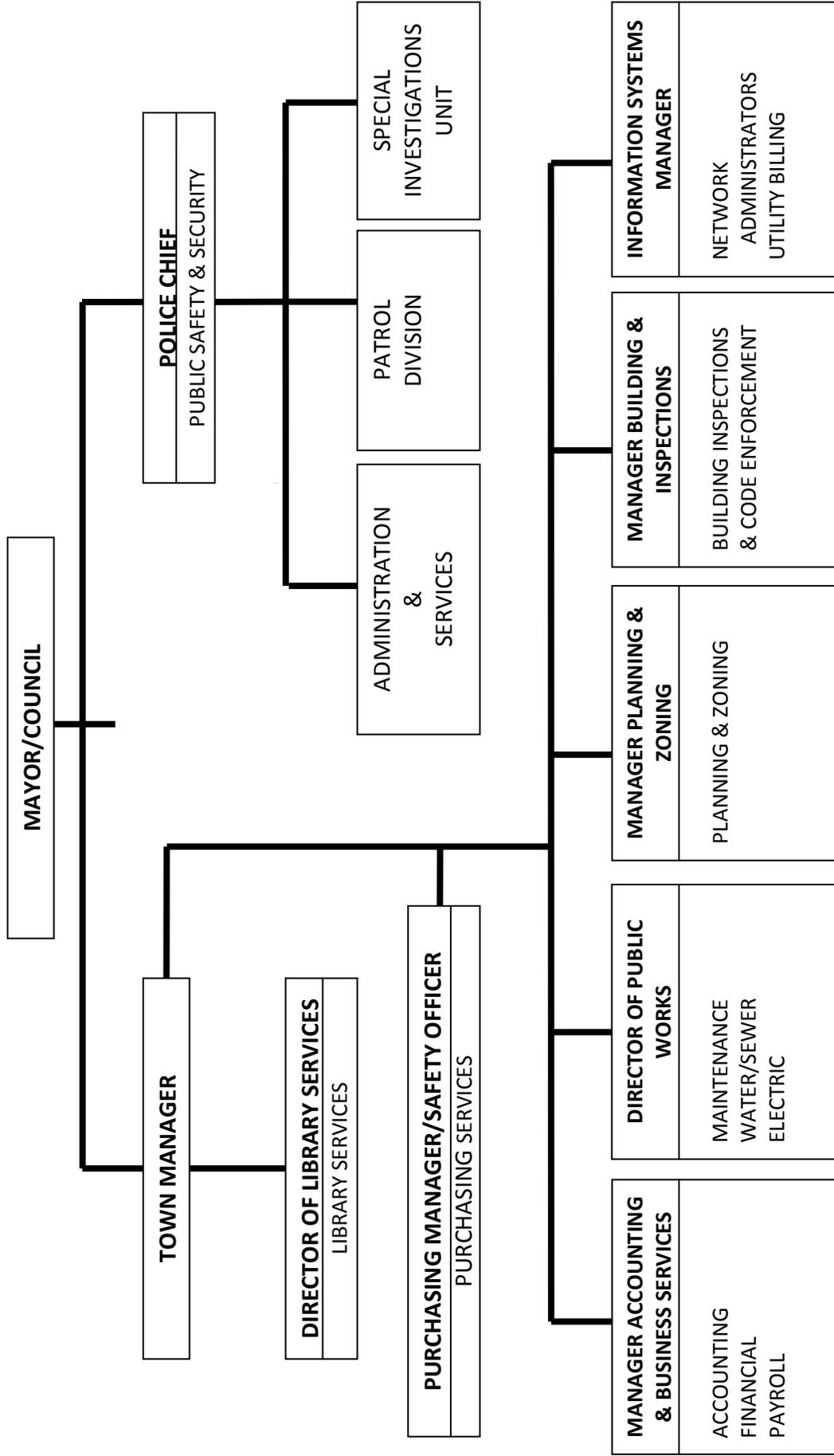
Mayor  
Vice Mayor – District 1  
Council Member – District 2  
Council Member – District 3  
Council Member – District At Large  
Council Member – District At Large  
Council Secretary – District At Large

**Appointed Officials**

David S. Hugg, III  
Norman Wood  
John T. Jaywork

Town Manager  
Police Chief  
Attorney

# TOWN OF SMYRNA ORGANIZATIONAL CHART



**FINANCIAL SECTION**



Photo by Jennifer Coulbourne

INDEPENDENT AUDITOR'S REPORT

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May 13, 2015

To the Honorable Mayor and Town Council  
Town of Smyrna  
Smyrna, Delaware

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Smyrna, Delaware, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Honorable Mayor and Town Council  
Town of Smyrna

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Smyrna, Delaware, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Report on Summarized Comparative Information

We have previously audited the Town of Smyrna's 2013 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### Other Matters

##### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 to 29 and the schedule of changes in net pension liability, related ratios, and investment returns - pension funds, schedule of employer contributions - pension funds, post-employment healthcare benefits - schedule of funding progress and post-employment health care benefits - schedule of annual employer cost on pages 79 to 83 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, which 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.

##### *Emphasis of a Matter*

As discussed in Note 1 to the financial statements, in 2014 the Town adopted new accounting guidance; GASB Statement No. 67, "Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25;" GASB Statement No. 69, "Government Combinations and Disposals of Government Operations;" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." Our opinion is not modified with respect to this matter.

To the Honorable Mayor and Town Council  
Town of Smyrna

*Other Information*

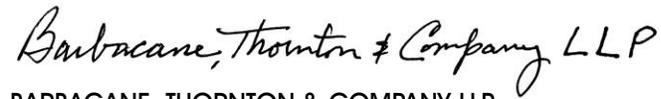
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smyrna, Smyrna, Delaware's basic financial statements. The introductory section, combining nonmajor governmental fund financial statements, combining fiduciary fund financial statements, statistical section, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, combining fiduciary fund financial statements, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements, combining fiduciary fund financial statements, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2015 on our consideration of the Town of Smyrna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Smyrna's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
DECEMBER 31, 2014**

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, 2014. 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 65 percent of total revenues, and program revenues accounted for 35 percent of total revenues and transfers (prior year, 64 percent and 36 percent, respectively). Total revenues increased primarily due to an increase in charges for services, property taxes, and transfer taxes. These revenues increased due to an increase in user fees for trash services, an increase in property tax rates, and an increase in the sale of real estate.
- In the governmental activities, total expenses increased from \$10,356,950 in 2013 to \$10,665,883 in 2014. This represents a three percent increase. The increase was primarily due to an increase in pension costs and other post-employment healthcare costs.
- Total revenues in the Town's General Fund increased from \$5,586,711 in 2013 to \$6,602,882 in 2014. This represents an increase of approximately 18 percent. The increase is primarily attributed to an increase in property tax revenues, transfer taxes, and charges for services brought about by increases in property tax rates, sale of real estate, and trash fees.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,009,297, which is an increase from the prior year balance of \$3,827,590. This increase is primarily due to an increase in governmental loan programs in the capital improvement fund brought about by capital improvements to the police department building.
- As of the end of the current fiscal year, the Town's business-type activities reported a net position of \$29,223,490, an increase of \$93,578 as compared to the prior year. The current year increase in net position can be attributed primarily to an increase in user fee rates for water, wastewater and electric services provided by the Town.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town of Smyrna's basic financial statements are comprised of three components:

1. Entity-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2014**

**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 and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and compensated absences).

Both of the entity-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

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

- ***Governmental Activities:*** Most of the Town's basic services are included here, such as general government, public safety, public works, planning and inspection, library, and culture and recreation.
- ***Business-type Activities:*** The Town charges fees to help it cover the costs of certain services provided, such as water and sewer operations and an electric distribution operation. 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 30 and 31 of this report.

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

***Governmental Funds:*** Most of the Town's basic services are included in Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-wide financial statements,

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2014**

Governmental Fund financial statements focus on *short-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *Governmental Activities*.

The Town maintains several individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Improvement Fund, both of which are considered to be major funds.

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

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

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

***Proprietary Funds:*** The Town maintains two different types of Proprietary Funds: the Water and Sewer Fund and the Electric Fund. 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 and electric distribution operations 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 Fund and for the electric distribution operation, both of which are considered to be major funds of the Town.

The basic Proprietary Fund financial statements can be found on pages 37 to 39 of this report.

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

The basic Fiduciary Fund financial statements can be found on pages 40 to 41 of this report.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2014**

***Notes to the Financial Statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 42 to 78 of this report.

***Other Information.*** The combining statements referred to earlier in connection with the Nonmajor Governmental Funds are presented following the footnotes. Combining and individual fund statements and schedules can be found on pages 84 to 87 of this report.

**ENTITY-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Smyrna, assets exceeded liabilities by \$43,908,373 at the close of the most recent calendar year. The table below summarizes the net position of the Town at December 31, 2014 and 2013.

**STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>						
Current and other assets	\$ 5,951,238	\$ 5,588,383	\$ 5,377,321	\$ 4,877,424	\$11,328,559	\$10,465,807
Capital and noncurrent assets	<u>20,985,655</u>	<u>21,215,762</u>	<u>41,680,446</u>	<u>39,708,727</u>	<u>62,666,101</u>	<u>60,924,489</u>
<b>Total Assets</b>	<u>26,936,893</u>	<u>26,804,145</u>	<u>47,057,767</u>	<u>44,586,151</u>	<u>73,994,660</u>	<u>71,390,296</u>
<b>Liabilities:</b>						
Long-term liabilities	9,445,563	7,976,854	12,744,740	11,137,913	22,190,303	19,114,767
Other liabilities	<u>2,806,447</u>	<u>2,112,876</u>	<u>5,089,537</u>	<u>4,318,326</u>	<u>7,895,984</u>	<u>6,431,202</u>
<b>Total Liabilities</b>	<u>12,252,010</u>	<u>10,089,730</u>	<u>17,834,277</u>	<u>15,456,239</u>	<u>30,086,287</u>	<u>25,545,969</u>
<b>Net Position:</b>						
Net investment in capital assets	16,511,140	17,322,727	27,280,269	27,331,488	43,791,409	44,654,215
Unrestricted (deficit)	(1,987,892)	(824,096)	533,282	1,602,722	(1,454,610)	778,626
Restricted	<u>161,635</u>	<u>215,784</u>	<u>1,409,939</u>	<u>195,702</u>	<u>1,571,574</u>	<u>411,486</u>
<b>TOTAL NET POSITION</b>	<u>\$14,684,883</u>	<u>\$16,714,415</u>	<u>\$29,223,490</u>	<u>\$29,129,912</u>	<u>\$43,908,373</u>	<u>\$45,844,327</u>

By far, the largest portion of the Town's net position (99 percent) reflects its net investment in capital assets (e.g. land, buildings, 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 (one percent) represents resources that are subject to restrictions on how they may be used.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2014**

The Town's net position decreased by \$1,935,954 during the current year. This represents the degree to which expenses outstripped revenues in the current year.

**Governmental Activities.** Governmental activities decreased the Town's net position by \$2,029,532. This decrease is mostly due to an increase in the cost of providing various municipal services to the Town. The major factor in the decrease in net position was due to the Town's increase in its pension and other post-employment benefits cost.

**Business-type Activities.** Business-type activities increased the Town's net position by \$93,578. The current year increase in net position can be attributed primarily to an increase in user fee rates for water, wastewater, and electric services provided by the Town.

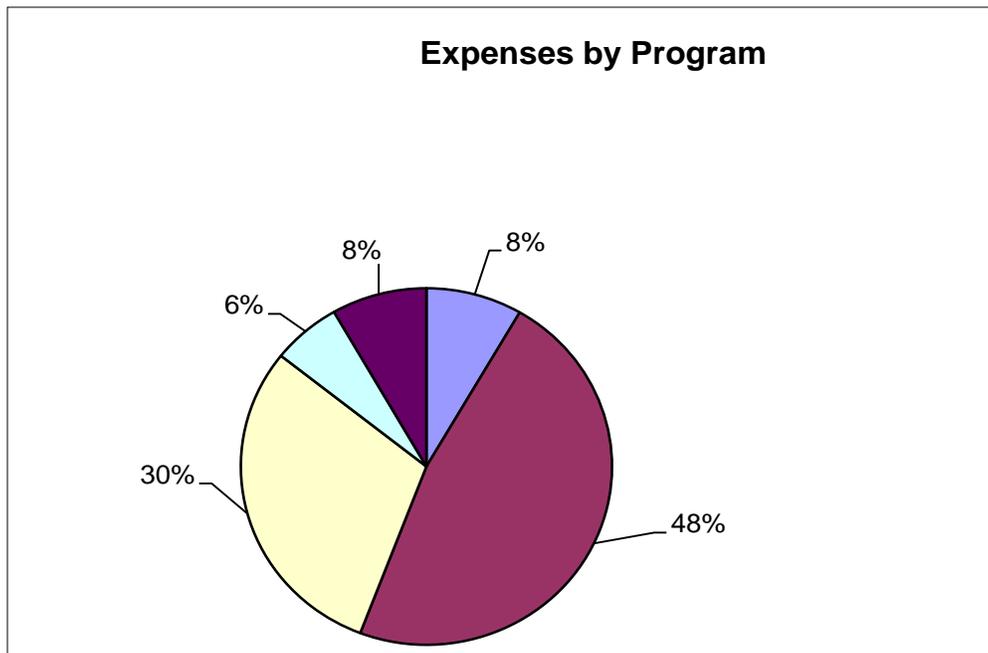
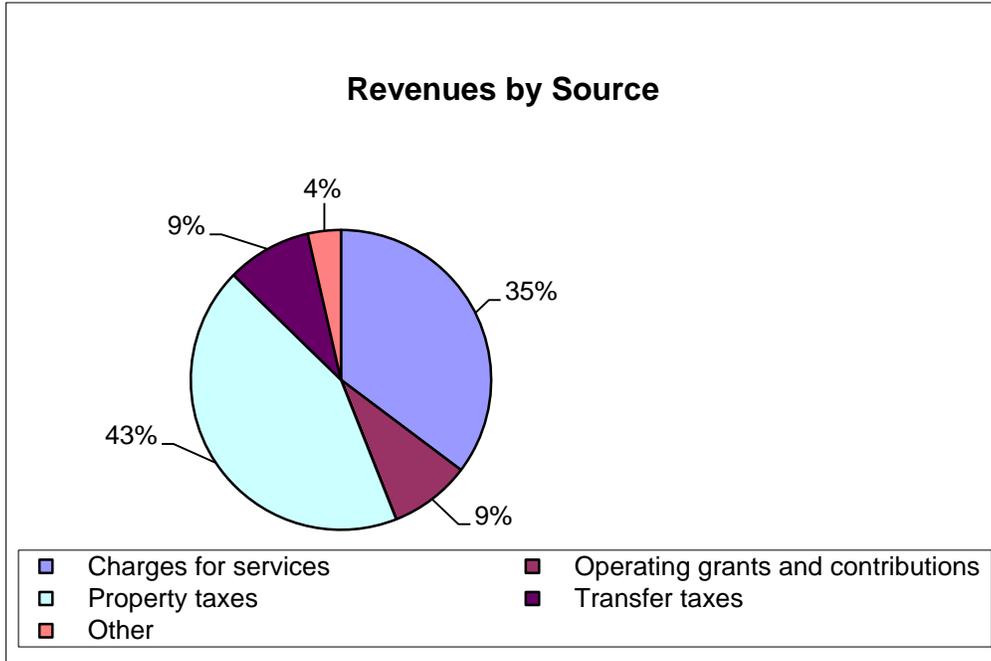
Changes in the net position of the Town are highlighted in the following table.

**STATEMENT OF CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 2,393,680	\$ 2,162,423	\$16,850,581	\$16,015,557	\$19,244,261	\$18,177,980
Operating grants and contributions	593,361	480,870	-	-	593,361	480,870
Capital grants and contributions	447,396	472,216	208,102	3,122,453	208,102	3,594,669
General revenues:						
Property taxes	2,940,321	2,603,882	-	-	2,940,321	2,603,882
Transfer taxes	619,310	417,320	-	-	619,310	417,320
Franchise fees	181,844	169,336	-	-	181,844	169,336
Investment earnings	13,341	24,717	154	546	13,495	25,263
Other	46,346	16,699	233,575	-	279,921	16,699
<b>TOTAL REVENUES</b>	<u>6,788,203</u>	<u>6,347,463</u>	<u>17,292,412</u>	<u>19,138,556</u>	<u>24,080,615</u>	<u>25,486,019</u>
<b>EXPENSES</b>						
General government	894,143	916,169	-	-	894,143	916,169
Public safety	5,058,205	4,891,398	-	-	5,058,205	4,891,398
Public works	3,184,907	3,164,500	-	-	3,184,907	3,164,500
Planning and inspection	643,618	615,649	-	-	643,618	615,649
Library	381,152	341,844	-	-	381,152	341,844
Culture and recreation	387,046	312,689	-	-	387,046	312,689
Neighborhood housing rehabilitation	427	335	-	-	427	335
Interest on long-term debt	116,385	114,366	-	-	116,385	114,366
Electric	-	-	11,974,904	11,472,593	11,974,904	11,472,593
Water/sewer	-	-	3,375,782	3,395,598	3,375,782	3,395,598
<b>TOTAL EXPENSES</b>	<u>10,665,883</u>	<u>10,356,950</u>	<u>15,350,686</u>	<u>14,868,191</u>	<u>26,016,569</u>	<u>25,225,141</u>
Change in net position before transfers	(3,877,680)	(4,009,487)	1,941,726	4,270,365	(1,935,954)	260,878
Transfers	1,848,148	2,189,889	(1,848,148)	(2,189,889)	-	-
<b>CHANGE IN NET POSITION</b>	<u>(2,029,532)</u>	<u>(1,819,598)</u>	<u>93,578</u>	<u>2,080,476</u>	<u>(1,935,954)</u>	<u>260,878</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>16,714,415</u>	<u>18,534,013</u>	<u>29,129,912</u>	<u>27,049,436</u>	<u>45,844,327</u>	<u>45,583,449</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$14,684,883</u>	<u>\$16,714,415</u>	<u>\$29,223,490</u>	<u>\$29,129,912</u>	<u>\$43,908,373</u>	<u>\$45,844,327</u>

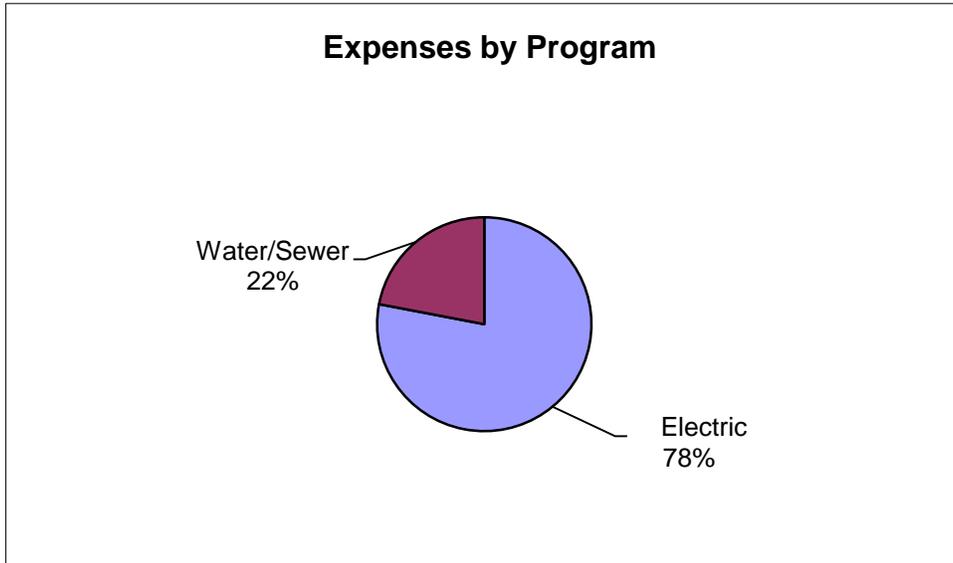
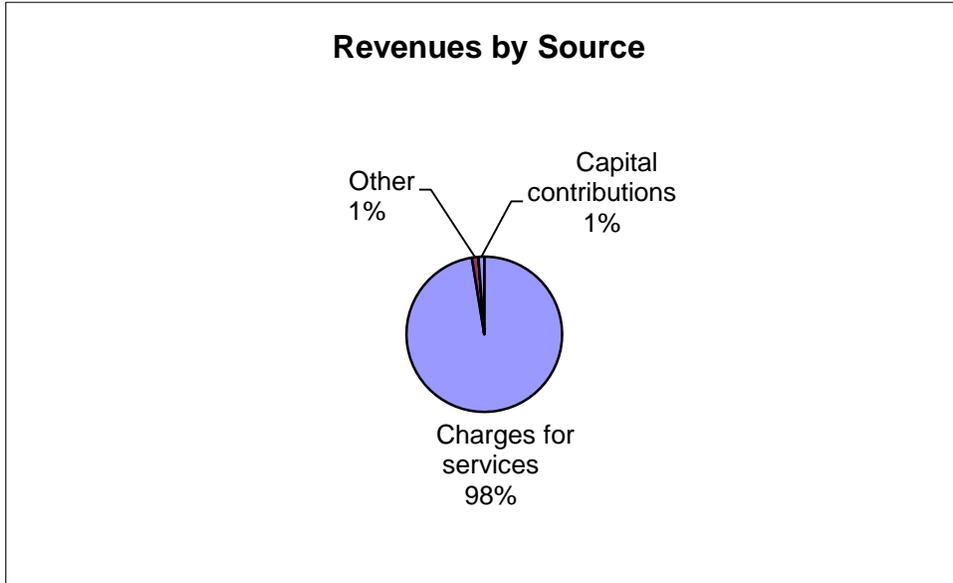
**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2014**

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, 2014**

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



**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2014**

**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 \$4,009,297. The primary component of this figure is the fund balance of the General Fund at \$2,518,655, of which \$2,341,229 is committed to future capital projects.

The General Fund is the primary operating fund of the Town. At the end of the current calendar year, the fund balance of the General Fund was \$2,518,655, of which \$85,949 was considered unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. As of December 31, 2014, unassigned fund balance represented approximately one percent of total General Fund expenditures.

The fund balance of the Town's General Fund increased by \$2,164,324 during the current calendar year. This is mostly due to a transfer in from the Capital Improvement Fund for funds committed to future capital projects.

The fund balance of the Town's Capital Improvement Fund decreased by \$1,928,468 during the current calendar year. This decrease is primarily due to a transfer out to the General Fund funding future capital project improvements.

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

The unrestricted net position of the Electric Fund and the Water and Sewer Fund at the end of the year amounted to \$533,282. The change in net position for the Electric Fund was a decrease of \$359,280 and an increase in the Water and Sewer Fund of \$452,858. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

- There were no amendments to the Town's original 2014 budget.
- Budgeted revenues exceeded actual revenues by \$890,283 primarily due to indirect cost allocations to the proprietary funds.
- Actual expenditures were \$1,405,586 under budget primarily due to indirect cost allocations to the proprietary funds.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2014**

**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, 2014 amounts to \$62,304,624 (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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1,124,129	\$ 1,083,101	\$ 421,252	\$ 398,752	\$ 1,545,381	\$ 1,481,853
Construction-in-progress	1,334,676	444,667	5,208,614	2,332,197	6,543,290	2,776,864
Land improvements	284,302	309,655	-	-	284,302	309,655
Buildings and improvements	5,367,076	5,494,888	2,389,440	2,453,451	7,756,516	7,948,339
Infrastructure	11,745,814	12,411,519	33,298,649	34,122,729	45,044,463	46,534,248
Machinery and equipment	851,371	1,014,116	279,301	295,192	1,130,672	1,309,308
	<u>\$20,707,368</u>	<u>\$20,757,946</u>	<u>\$41,597,256</u>	<u>\$39,602,321</u>	<u>\$62,304,624</u>	<u>\$60,360,267</u>

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

- Renovations and improvements to the Smyrna Police Department building totaling \$890,009.

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

- North of Duck Creek utility infrastructure extensions totaling \$783,973.
- Commerce Street utility infrastructure improvements totaling \$1,974,294.
- General electrical installation costs due to continued growth in Smyrna totaling \$151,957.
- Electric infrastructure relocation costs totaling \$153,262.

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

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2014**

	<b>OUTSTANDING DEBT</b>	
	<b>Bonds and Loans Payable</b>	
	<u>2014</u>	<u>2013</u>
Governmental activities	\$ 4,196,228	\$ 3,435,219
Business-type activities	<u>14,316,987</u>	<u>12,270,833</u>
<b>TOTAL</b>	<u>\$ 18,513,215</u>	<u>\$ 15,706,052</u>

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

The current legal long-term debt limit for the Town cannot exceed 4.5 percent of the total assessed valuation of all taxable property in the Town. This amounts to \$39,437,000 of the total assessed valuation, which is significantly more than the Town's outstanding debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The Town adopted its 2015 budget in December 2014. This budget totaled \$6,637,811 in revenues and \$8,816,005 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 eight percent and an increase in budgeted expenditures of seven percent. Property tax rates for 2015 remained the same at \$0.3600 cents per \$100 of assessed value.
- The majority of the Town's city limits are in Kent County, whose unemployment rate for the County was reported at 4.6 percent in December 2014. The state's unemployment rate was reported at 4.6 percent.
- The Town's total population at December 2014 is currently estimated at 11,330, an increase from the 2010 census, which placed the Town's total population at 10,023.

**REQUESTS FOR INFORMATION**

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

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**  
(With Summarized Comparative Data for December 31, 2013)

	Governmental Activities	Business-type Activities	Totals
	2014		2013
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 257,090	\$ 205,552	\$ 577,817
Investments	3,896,665	7,486	4,236,050
Taxes receivable	349,358	-	313,458
Accounts receivable	443,538	1,709,728	2,720,457
Grants receivable	913,110	-	50,344
Inventory	26,088	639,125	683,848
Due from other governments	-	2,127,881	1,180,103
Prepaid expenses	65,389	14,176	65,607
<b>Restricted Assets:</b>			
Meter deposits	-	673,373	638,123
<b>Total Current Assets</b>	<b>5,951,238</b>	<b>5,377,321</b>	<b>10,465,807</b>
<b>Noncurrent Assets:</b>			
Prepaid insurance costs	15,450	20,940	38,630
Prepaid expenses	262,837	62,250	525,592
Capital assets, net:			
Land	1,124,129	421,252	1,481,853
Construction-in-progress	1,334,676	5,208,614	2,776,864
Land improvements	284,302	-	309,655
Buildings and improvements	5,367,076	2,389,440	7,948,339
Infrastructure	11,745,814	33,298,649	46,534,248
Machinery and equipment	851,371	279,301	1,309,308
<b>Total Noncurrent Assets</b>	<b>20,985,655</b>	<b>41,680,446</b>	<b>60,924,489</b>
<b>TOTAL ASSETS</b>	<b>\$ 26,936,893</b>	<b>\$ 47,057,767</b>	<b>\$ 71,390,296</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 707,083	\$ 1,639,272	\$ 1,565,589
Accrued salaries and benefits	92,197	16,655	196,637
Accrued interest	35,957	68,852	110,248
Developer deposits	429,378	326,342	791,053
Other liability	-	137,458	307,874
Unearned revenue	520,524	-	543,351
Bonds payable	131,150	173,850	300,000
Loans payable	832,827	2,045,285	1,908,204
Accrued compensated absences	57,331	8,450	70,123
<b>Current Liabilities Payable from Restricted Assets:</b>			
Meter deposits	-	673,373	638,123
<b>Total Current Liabilities</b>	<b>2,806,447</b>	<b>5,089,537</b>	<b>6,431,202</b>
<b>Noncurrent Liabilities:</b>			
Portions due or payable after one year:			
Accrued compensated absences	515,975	76,048	631,107
Post-employment benefits	5,697,337	570,840	4,985,812
Bonds payable	2,765,450	3,764,550	6,835,000
Loans payable	466,801	8,333,302	6,662,848
<b>Total Noncurrent Liabilities</b>	<b>9,445,563</b>	<b>12,744,740</b>	<b>19,114,767</b>
<b>TOTAL LIABILITIES</b>	<b>12,252,010</b>	<b>17,834,277</b>	<b>25,545,969</b>
<b>NET POSITION</b>			
Net investment in capital assets	16,511,140	27,280,269	44,654,215
Restricted for police	68,967	-	79,954
Restricted for public works	92,668	-	135,830
Restricted for capital projects	-	1,409,939	195,702
Unrestricted (deficit)	(1,987,892)	533,282	778,626
<b>TOTAL NET POSITION</b>	<b>14,684,883</b>	<b>29,223,490</b>	<b>45,844,327</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 26,936,893</b>	<b>\$ 47,057,767</b>	<b>\$ 71,390,296</b>

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

**TOWN OF SMYRNA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(With Summarized Comparative Data for the Year Ended December 31, 2013)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
	2014	2013	2014	2013	2014	2013
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ 894,143	\$ 323,364	\$ -	\$ -	\$ (570,779)	\$ (642,886)
Public safety	5,058,205	131,470	279,198	-	(4,647,537)	(4,416,081)
Public works	3,184,907	1,323,104	219,301	-	(1,642,502)	(1,320,655)
Planning and inspection	643,618	479,485	-	-	(164,133)	(246,010)
Library	381,152	136,257	94,362	-	(150,533)	(189,069)
Culture and recreation	387,046	-	500	-	(386,546)	(312,039)
Neighborhood housing rehabilitation	427	-	-	-	(427)	(335)
Interest on long-term debt	116,385	-	-	-	(116,385)	(114,366)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>10,665,883</b>	<b>2,393,680</b>	<b>593,361</b>	<b>-</b>	<b>(7,678,842)</b>	<b>(7,241,441)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Electric	11,974,904	13,295,462	-	147,919	1,468,477	3,484,847
Water/Sewer	3,375,782	3,555,119	-	60,183	239,520	784,972
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>15,350,686</b>	<b>16,850,581</b>	<b>-</b>	<b>208,102</b>	<b>1,707,997</b>	<b>4,269,819</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 26,016,569</b>	<b>\$ 19,244,261</b>	<b>\$ 593,361</b>	<b>\$ 208,102</b>	<b>(5,970,845)</b>	<b>(2,971,622)</b>
<b>GENERAL REVENUES</b>						
Real estate taxes				2,940,321	-	2,603,882
Real estate transfer taxes				619,310	-	417,320
Franchise fees				181,844	-	169,336
Investment earnings				13,341	154	25,263
Gain on sale of capital assets				-	233,575	-
Miscellaneous				46,346	-	16,699
Transfers				1,848,148	(1,848,148)	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>5,649,310</b>	<b>(1,614,419)</b>	<b>3,232,500</b>
<b>CHANGE IN NET POSITION</b>				<b>(2,029,532)</b>	<b>93,578</b>	<b>260,878</b>
<b>NET POSITION, BEGINNING OF YEAR</b>				<b>16,714,415</b>	<b>29,129,912</b>	<b>45,583,449</b>
<b>NET POSITION, END OF YEAR</b>				<b>\$ 14,684,883</b>	<b>\$ 29,223,490</b>	<b>\$ 45,844,327</b>

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

**TOWN OF SMYRNA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

(With Summarized Comparative Data for December 31, 2013)

	General	Capital Improvement Fund	Nonmajor Governmental Funds	Totals	
				2014	2013
<b>ASSETS</b>					
Cash and cash equivalents	\$ 123,594	\$ 19,794	\$ 113,702	\$ 257,090	\$ 246,811
Investments	3,008,544	624,917	263,204	3,896,665	4,128,568
Taxes receivable	349,358	-	-	349,358	313,458
Accounts receivable	443,538	-	-	443,538	763,303
Grants receivable	-	913,110	-	913,110	50,344
Prepaid items	65,389	-	-	65,389	55,193
Inventory	26,088	-	-	26,088	30,706
<b>TOTAL ASSETS</b>	<b>4,016,511</b>	<b>1,557,821</b>	<b>376,906</b>	<b>5,951,238</b>	<b>5,588,383</b>
<b>LIABILITIES</b>					
Accounts payable	262,998	228,814	215,271	707,083	393,060
Accrued salaries and benefits	92,197	-	-	92,197	142,238
Unearned revenue	520,524	-	-	520,524	543,351
Developer deposits	429,378	-	-	429,378	424,858
<b>TOTAL LIABILITIES</b>	<b>1,305,097</b>	<b>228,814</b>	<b>215,271</b>	<b>1,749,182</b>	<b>1,503,507</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	192,759	-	-	192,759	257,286
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>192,759</b>	<b>-</b>	<b>-</b>	<b>192,759</b>	<b>257,286</b>
<b>FUND BALANCES</b>					
Nonspendable	91,477	-	-	91,477	85,899
Restricted for police	-	-	68,967	68,967	79,954
Restricted for public works	-	-	92,668	92,668	135,830
Committed for capital projects	2,341,229	1,329,007	-	3,670,236	3,257,475
Unassigned	85,949	-	-	85,949	268,432
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,518,655</b>	<b>\$ 1,329,007</b>	<b>\$ 161,635</b>	<b>\$ 4,009,297</b>	<b>\$ 3,827,590</b>

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

**TOWN OF SMYRNA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

**TOTAL GOVERNMENTAL FUND BALANCES** \$ 4,009,297

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. 20,707,368

Some of the Town's assets are not available to pay for current expenditures and, therefore, are not reported in the funds. 192,759

The net pension asset resulting from contributions in excess of the annual required contribution in 2014 (police and employee) is not a current financial resource and, therefore, is not reported in the governmental funds.

Police Pension Plan	\$ 44,963	
Employee Pension Plan	<u>217,874</u>	262,837

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

Bonds payable	(2,896,600)	
Loans payable	(1,299,628)	
Post-employment benefits	(5,697,337)	
Accrued interest	<u>(35,957)</u>	(9,929,522)

Issuance of debt resulted in prepaid insurance premium costs which will be amortized over the life of the new debt but do not represent current rights. 15,450

Compensated absences that are not due and payable in the current period are not reported in the funds. (573,306)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 14,684,883

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

**TOWN OF SMYRNA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(With Summarized Comparative Data for the Year Ended December 31, 2013)**

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Totals	
	<u>2014</u>			<u>2014</u>	<u>2013</u>
<b>REVENUES</b>					
<b>Taxes:</b>					
Property taxes	\$ 3,004,848	-	-	\$ 3,004,848	\$ 2,574,536
Transfer taxes	619,310	-	-	619,310	417,320
Special assessment/impact fees	294,875	-	-	294,875	244,709
Charges for services	1,402,868	-	-	1,402,868	1,258,056
Intergovernmental	430,720	-	248,309	679,029	1,022,750
Licenses, fees, and permits	378,076	-	-	378,076	392,599
Fines and forfeits	142,462	-	-	142,462	123,365
Franchise fees	181,844	-	-	181,844	169,336
Investment income	531	12,758	52	13,341	24,717
Miscellaneous	147,348	6,435	-	153,783	100,844
<b>TOTAL REVENUES</b>	<u>6,602,882</u>	<u>19,193</u>	<u>248,361</u>	<u>6,870,436</u>	<u>6,328,232</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	632,914	-	-	632,914	706,987
Public safety	3,996,190	-	57,890	4,054,080	4,023,807
Public works	2,028,322	-	244,620	2,272,942	2,397,179
Planning and inspection	572,085	-	-	572,085	555,314
Library	341,625	-	-	341,625	295,043
Culture and recreation	352,336	-	-	352,336	304,463
Neighborhood housing rehabilitation	427	-	-	427	335
<b>Debt service:</b>					
Principal	129,000	-	-	129,000	126,850
Interest	116,294	-	-	116,294	114,261
Capital outlays	-	955,183	-	955,183	474,378
<b>TOTAL EXPENDITURES</b>	<u>8,169,193</u>	<u>955,183</u>	<u>302,510</u>	<u>9,426,886</u>	<u>8,998,617</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(1,566,311)</u>	<u>(935,990)</u>	<u>(54,149)</u>	<u>(2,556,450)</u>	<u>(2,670,385)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan issuance	-	890,009	-	890,009	409,619
Transfers in	3,730,635	615,342	-	4,345,977	2,961,419
Transfers out	-	(2,497,829)	-	(2,497,829)	(771,530)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,730,635</u>	<u>(992,478)</u>	<u>-</u>	<u>2,738,157</u>	<u>2,599,508</u>
<b>NET CHANGES IN FUND BALANCES</b>	2,164,324	(1,928,468)	(54,149)	181,707	(70,877)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>354,331</u>	<u>3,257,475</u>	<u>215,784</u>	<u>3,827,590</u>	<u>3,898,467</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 2,518,655</u>	<u>\$ 1,329,007</u>	<u>\$ 161,635</u>	<u>\$ 4,009,297</u>	<u>\$ 3,827,590</u>

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

**TOWN OF SMYRNA**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 181,707

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,054,620) exceeded capital outlays (\$1,021,748). (32,872)

Loss on disposal of assets (17,706)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred inflows of resources decreased by this amount this year. (64,527)

The issuance of long-term debt (e.g. loans payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. (761,009)

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

Compensated absences	\$	7,903	
Net pension assets - Police Plan		(101,830)	
Net pension assets - Employee Plan		(76,748)	
Accrued interest		860	
Prepaid insurance costs		(951)	
Net OPEB obligation		<u>(1,164,359)</u>	<u>(1,335,125)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (2,029,532)

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

**TOWN OF SMYRNA  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
<b>Taxes:</b>				
Property taxes	\$ 2,980,011	\$ 2,980,011	\$ 3,004,848	\$ 24,837
Transfer taxes	450,000	450,000	619,310	169,310
Special assessment/impact fees	200,000	200,000	294,875	94,875
Charges for services	1,483,100	1,483,100	1,402,868	(80,232)
Intergovernmental	340,000	340,000	430,720	90,720
Licenses, fees, and permits	327,700	327,700	378,076	50,376
Fines and forfeits	160,000	160,000	142,462	(17,538)
Franchise fees	156,000	156,000	181,844	25,844
Investment income	1,000	1,000	531	(469)
Miscellaneous	1,395,354	1,395,354	147,348	(1,248,006)
<b>TOTAL REVENUES</b>	<u>7,493,165</u>	<u>7,493,165</u>	<u>6,602,882</u>	<u>(890,283)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	2,108,102	2,108,102	632,914	1,475,188
Public safety	3,816,052	3,816,052	3,996,190	(180,138)
Public works	1,971,730	1,971,730	2,028,322	(56,592)
Planning and inspection	629,408	629,408	572,085	57,323
Library	343,389	343,389	341,625	1,764
Culture and recreation	417,936	417,936	352,336	65,600
Neighborhood housing rehabilitation	-	-	427	(427)
<b>Debt service:</b>				
Principal	129,000	129,000	129,000	-
Interest	159,162	159,162	116,294	42,868
<b>TOTAL EXPENDITURES</b>	<u>9,574,779</u>	<u>9,574,779</u>	<u>8,169,193</u>	<u>1,405,586</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(2,081,614)</u>	<u>(2,081,614)</u>	<u>(1,566,311)</u>	<u>515,303</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,129,133	2,129,133	3,730,635	1,601,502
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,129,133</u>	<u>2,129,133</u>	<u>3,730,635</u>	<u>1,601,502</u>
<b>NET CHANGES IN FUND BALANCE</b>	47,519	47,519	2,164,324	2,116,805
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>354,331</u>	<u>354,331</u>	<u>354,331</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 401,850</u>	<u>\$ 401,850</u>	<u>\$ 2,518,655</u>	<u>\$ 2,116,805</u>

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

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2014**  
(With Summarized Comparative Data for December 31, 2013)

	Electric Fund	Water and Sewer Fund	Totals	
			2014	2013
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 184,207	\$ 21,345	\$ 205,552	\$ 331,006
Investments	7,486	-	7,486	107,482
Due from other governments	-	2,127,881	2,127,881	1,180,103
Accounts receivable	1,375,139	334,589	1,709,728	1,957,154
Inventory	536,910	102,215	639,125	653,142
Prepaid expenses	9,646	4,530	14,176	10,414
<b>Restricted Assets:</b>				
Meter deposits	672,173	1,200	673,373	638,123
<b>Total Current Assets</b>	<u>2,785,561</u>	<u>2,591,760</u>	<u>5,377,321</u>	<u>4,877,424</u>
<b>Noncurrent Assets:</b>				
Prepaid insurance costs	20,940	-	20,940	22,229
Prepaid expenses	41,499	20,751	62,250	84,177
Capital assets, net	13,902,538	27,694,718	41,597,256	39,602,321
<b>Total Noncurrent Assets</b>	<u>13,964,977</u>	<u>27,715,469</u>	<u>41,680,446</u>	<u>39,708,727</u>
<b>TOTAL ASSETS</b>	<u>\$ 16,750,538</u>	<u>\$ 30,307,229</u>	<u>\$ 47,057,767</u>	<u>\$ 44,586,151</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 963,513	\$ 675,759	\$ 1,639,272	\$ 1,172,529
Accrued salaries and benefits	10,689	5,966	16,655	54,399
Accrued interest	47,664	21,188	68,852	73,431
Developer deposits	326,342	-	326,342	366,195
Other liability	137,458	-	137,458	307,874
Accrued compensated absences	6,084	2,366	8,450	12,002
Current portion of bonds payable	173,850	-	173,850	171,000
Current portion of loans payable	206,332	1,838,953	2,045,285	1,522,773
<b>Current Liabilities Payable from Restricted Assets:</b>				
Meter deposits	672,173	1,200	673,373	638,123
<b>Total Current Liabilities</b>	<u>2,544,105</u>	<u>2,545,432</u>	<u>5,089,537</u>	<u>4,318,326</u>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	54,757	21,291	76,048	108,019
Post-employment benefits	380,560	190,280	570,840	452,834
Bonds payable	3,764,550	-	3,764,550	3,938,400
Loans payable	-	8,333,302	8,333,302	6,638,660
<b>Total Noncurrent Liabilities</b>	<u>4,199,867</u>	<u>8,544,873</u>	<u>12,744,740</u>	<u>11,137,913</u>
<b>TOTAL LIABILITIES</b>	<u>6,743,972</u>	<u>11,090,305</u>	<u>17,834,277</u>	<u>15,456,239</u>
<b>NET POSITION</b>				
Net investment in capital assets	9,757,806	17,522,463	27,280,269	27,331,488
Restricted for capital projects	-	1,409,939	1,409,939	195,702
Unrestricted	248,760	284,522	533,282	1,602,722
<b>TOTAL NET POSITION</b>	<u>10,006,566</u>	<u>19,216,924</u>	<u>29,223,490</u>	<u>29,129,912</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 16,750,538</u>	<u>\$ 30,307,229</u>	<u>\$ 47,057,767</u>	<u>\$ 44,586,151</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, 2014**  
**(With Summarized Comparative Data for the Year Ended December 31, 2013)**

	Electric Fund	Water and Sewer Fund	Totals	
			2014	2013
<b>OPERATING REVENUES</b>				
User service charges	\$ 13,202,025	\$ 3,406,533	\$ 16,608,558	\$ 15,782,710
Other operating revenue	93,437	148,586	242,023	232,847
<b>Total Operating Revenues</b>	<u>13,295,462</u>	<u>3,555,119</u>	<u>16,850,581</u>	<u>16,015,557</u>
<b>OPERATING EXPENSES</b>				
Electric purchased	9,008,483	-	9,008,483	8,790,008
Sewer charges	-	1,002,891	1,002,891	1,042,105
System maintenance	197,934	426,439	624,373	307,073
Salaries and wages	826,207	480,344	1,306,551	1,344,565
Employee benefits	449,514	316,611	766,125	799,389
Depreciation and amortization	731,174	540,811	1,271,985	1,177,261
Supplies and maintenance	165,380	53,883	219,263	241,244
Truck and vehicles	40,164	21,339	61,503	48,168
Insurance	27,107	10,233	37,340	49,961
Administration expenses	92,401	57,970	150,371	151,000
Professional services	247,978	275,914	523,892	467,889
<b>Total Operating Expenses</b>	<u>11,786,342</u>	<u>3,186,435</u>	<u>14,972,777</u>	<u>14,418,663</u>
<b>OPERATING INCOME</b>	<u>1,509,120</u>	<u>368,684</u>	<u>1,877,804</u>	<u>1,596,894</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	108	46	154	546
Interest expense	(143,562)	(189,347)	(332,909)	(399,528)
Gain of sale of capital assets	233,575	-	233,575	-
Intergovernmental	(45,000)	-	(45,000)	(50,000)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>45,121</u>	<u>(189,301)</u>	<u>(144,180)</u>	<u>(448,982)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>				
	1,554,241	179,383	1,733,624	1,147,912
Transfers in	20,580	595,058	615,638	771,530
Transfers out	(2,082,020)	(381,766)	(2,463,786)	(2,961,419)
Federal funding	-	60,183	60,183	712,092
Developer capital contributions	147,919	-	147,919	2,410,361
<b>CHANGE IN NET POSITION</b>	<u>(359,280)</u>	<u>452,858</u>	<u>93,578</u>	<u>2,080,476</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>10,365,846</u>	<u>18,764,066</u>	<u>29,129,912</u>	<u>27,049,436</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 10,006,566</u>	<u>\$ 19,216,924</u>	<u>\$ 29,223,490</u>	<u>\$ 29,129,912</u>

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

**TOWN OF SMYRNA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(With Summarized Comparative Data for the Year Ended December 31, 2013)**

	Electric Fund	Water and Sewer Fund	Totals	
			2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Received from customers	\$ 13,373,310	\$ 3,684,908	\$ 17,058,218	\$ 16,271,307
Paid to suppliers for goods and services	(9,630,720)	(1,498,471)	(11,129,191)	(10,759,046)
Paid to employees for services	(1,203,888)	(824,049)	(2,027,937)	(1,987,695)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,538,702</u>	<u>1,362,388</u>	<u>3,901,090</u>	<u>3,524,566</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	20,580	595,058	615,638	771,530
Transfers out	(2,082,020)	(381,766)	(2,463,786)	(2,961,419)
Intergovernmental	(45,000)	-	(45,000)	(50,000)
<b>NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(2,106,440)</u>	<u>213,292</u>	<u>(1,893,148)</u>	<u>(2,239,889)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Repayment of bonds and loans payable	(171,000)	(336,191)	(507,191)	(534,368)
Loan proceeds	20,633	1,584,240	1,604,873	1,611,790
Developer capital contributions	108,066	-	108,066	1,613,981
Acquisition and construction of capital assets	(371,451)	(2,928,678)	(3,300,129)	(4,005,546)
Proceeds from sale of capital assets	233,575	-	233,575	-
Capital grants	-	-	-	50,000
Interest paid	(144,704)	(192,786)	(337,490)	(396,041)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(324,881)</u>	<u>(1,873,415)</u>	<u>(2,198,296)</u>	<u>(1,660,184)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Sale of investments	99,996	-	99,996	-
<b>Purchase of investments</b>	-	-	-	(16)
Investment income	108	46	154	546
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>100,104</u>	<u>46</u>	<u>100,150</u>	<u>530</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	207,485	(297,689)	(90,204)	(374,977)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>648,895</u>	<u>320,234</u>	<u>969,129</u>	<u>1,344,106</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 856,380</u>	<u>\$ 22,545</u>	<u>\$ 878,925</u>	<u>\$ 969,129</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income	\$ 1,509,120	\$ 368,684	\$ 1,877,804	\$ 1,596,894
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	731,174	540,811	1,271,985	1,177,261
(Increase) Decrease in:				
Accounts receivable	213,014	129,789	342,803	313,880
Inventory	56,158	(42,141)	14,017	192,698
Prepaid expenses	11,915	6,250	18,165	(101)
Increase (Decrease) in:				
Accounts payable	80,654	386,089	466,743	145,805
Other liability	(170,416)	-	(170,416)	(115,558)
Accrued salaries and benefits	(4,295)	(33,449)	(37,744)	33,802
Meter deposits	35,250	-	35,250	57,428
Post-employment benefit obligations	78,671	39,335	118,006	112,544
Compensated absences	(2,543)	(32,980)	(35,523)	9,913
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,538,702</u>	<u>\$ 1,362,388</u>	<u>\$ 3,901,090</u>	<u>\$ 3,524,566</u>
Noncash capital and related financing activities:				
Grant loan contributions of capital assets	\$ -	\$ -	\$ -	\$ 221,136
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:</b>				
Cash and cash equivalents	\$ 184,207	\$ 21,345	\$ 205,552	\$ 331,006
Meter deposits - restricted	672,173	1,200	673,373	638,123
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 856,380</u>	<u>\$ 22,545</u>	<u>\$ 878,925</u>	<u>\$ 969,129</u>

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

**TOWN OF SMYRNA  
STATEMENTS OF FIDUCIARY NET POSITION  
DECEMBER 31, 2014 AND 2013**

	<b>Totals</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,004,074	\$ 956,373
Interest receivable	6,531	5,799
Prepaid expense	36,745	30,138
Investments at fair value:		
Equities	2,591,993	2,470,637
Mutual funds	3,465,888	3,422,915
Fixed income	2,215,641	2,009,067
Exchange-traded funds	2,480,432	2,061,677
Insurance contracts	3,569,480	3,577,958
<b>TOTAL ASSETS</b>	<b>\$ 15,370,784</b>	<b>\$ 14,534,564</b>
 <b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 4,105	\$ 31,071
 <b>NET POSITION</b>		
Net position restricted for pensions	15,366,679	14,503,493
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 15,370,784</b>	<b>\$ 14,534,564</b>

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

**TOWN OF SMYRNA  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<b>Totals</b>	
	<b>2014</b>	<b>2013</b>
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Employer contribution	\$ 927,662	\$ 1,126,201
Employee contributions	154,634	157,928
State aid - police	98,248	100,029
<b>Total Contributions</b>	<b>1,180,544</b>	<b>1,384,158</b>
<b>Investment income:</b>		
Interest and dividends	401,525	414,593
Net appreciation in fair value of investments	31,372	751,102
<b>Total Investment Income</b>	<b>432,897</b>	<b>1,165,695</b>
Less investment expense	186,123	193,351
<b>Net Investment Income</b>	<b>246,774</b>	<b>972,344</b>
<b>TOTAL ADDITIONS</b>	<b>1,427,318</b>	<b>2,356,502</b>
<b>DEDUCTIONS:</b>		
Benefits paid	554,938	434,330
Administrative expenses	9,194	2,653
<b>TOTAL DEDUCTIONS</b>	<b>564,132</b>	<b>436,983</b>
<b>NET INCREASE IN NET POSITION</b>	<b>863,186</b>	<b>1,919,519</b>
<b>NET POSITION RESTRICTED FOR PENSIONS:</b>		
Beginning of year	14,503,493	12,583,974
End of year	<b>\$ 15,366,679</b>	<b>\$ 14,503,493</b>

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

## TOWN OF SMYRNA

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Smyrna have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

##### Financial Reporting Entity

The Town of Smyrna, Delaware (the "Town") was incorporated in 1817, under the provisions of the State of Delaware. The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, utilities, culture and recreation, planning and inspection, and general government.

GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the Town's financial reporting entity are financial interdependencies, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships.

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

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

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

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent 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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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 resource 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.

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 fund type:

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

**Pension Trust Funds** – These funds are used to account for the assets held by the pension plan for full-time Town employees and the pension plan 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.

**Allowance for Doubtful Accounts**

The Town's water, sewer, and electric utilities experience very small losses from uncollectible accounts. Water and sewer fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Electric fees do not constitute a lien; however, maintenance of adequate customer deposits, monthly billing, and diligent collection procedures minimize losses from uncollectible accounts. Accordingly, an allowance for doubtful accounts has not been established by the Town for its proprietary funds.

**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.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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	50 years
Infrastructure	20 - 50 years
Land improvements	20 - 50 years
Machinery and equipment	5 - 20 years

Non-bargaining Units

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

Non-uniform Bargaining Units

Regular full-time employees begin to accrue vacation and sick leave when they are hired; however, they are not eligible to use 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 up to a maximum of 260 sick days. If termination is through retirement or death, the maximum amount of days paid shall be equivalent to 20 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.

Uniform Employee Bargaining Units

Uniform 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 termination is through retirement or death, 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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

maximum of five days of unused vacation leave earned by the employee since the prior December. Compensatory time has accrued at the rate of one and one-half hours for each one hour of overtime worked. Employees may accumulate up to a maximum of 80 hours of compensatory time. The Town shall have the option to pay the employee at the Town's discretion, for any amount of accrued compensatory time if the employee termination is through retirement or death.

Accumulated vacation and sick leave is accrued when incurred in the entity-wide financial statements and proprietary fund types. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Historically, the General Fund has been responsible for liquidation of compensated absences associated with governmental fund activities. Compensated absences associated with proprietary funds are liquidated from the fund in which the liability was generated.

Long-term Debt

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

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

Fund Equity

The Town follows the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

Fund balance will be displayed in the following classification (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable* – amounts that cannot be spent because they are in nonspendable form (e.g., inventory), or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

*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 Board or through the Board delegating this responsibility to the Town Manager through the budgetary process.

*Unassigned* – amounts available for consumption or not restricted in any manner.

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

Property Taxes

Property taxes attach as an enforceable lien on property when levied. All liens continue until property taxes are paid in full. Taxes are levied on May 1 and are payable on or before September 30. Taxes paid before July 1 are given a six percent discount. Taxes paid on or after September 30 of each year are assessed interest at 1½ percent per month after the due date. The Town bills and collects its own property taxes. Town property tax revenues are recognized on a *pro rata* basis. Delinquent taxes are considered fully collectible and; therefore, no allowance for uncollectible taxes is provided. The property tax rate for 2014 was 36 cents per \$100 of assessed value.

Use of Estimates In the Preparation of Financial Statements

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

Restricted Assets

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

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 Reserve Fund and certain nonmajor governmental funds. Since project periods may differ from the Town's fiscal year, a comparison of budgetary information for the combined Capital Reserve Fund and certain nonmajor governmental funds would not be meaningful and has not been presented in the accompanying financial statements.
- c. The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- d. Unused appropriations for all of the above annually budgeted funds lapse at year end.
- e. For 2014, there were no revisions to the legally adopted budgets.

Implementation of New Accounting Pronouncements

During the current year, the Town implemented GASB Statement No. 67, "Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25." The objective of this statement is to improve financial reporting by state and local governmental pension plans. The implementation of this statement had no material effect on the financial position of the Town.

The Town has also implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations." This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. At the current time, the Town has no government combinations or disposals of government operations.

The Town has implemented GASB-issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. At the current time, the Town has no nonexchange financial guarantees.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

GASB has issued the following statements not yet implemented by the Town.

In June 2013, GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27." The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. The provisions of this statement are effective for the Town's 2015 financial statements and will have a material effect on the financial position of the Town. The current estimated net pension liability for the Town's employer pension plans total approximately \$3.3 million.

In November 2014, GASB issued Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68." The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions."

Accounting for the Effects of Rate Regulation

Effective January 1, 2013, the Town has elected to be subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("FASB ASC") 980 "Regulated Operations." This statement recognizes the economic ability of regulators, through the ratemaking process, to create future economic benefits and obligations affecting rate-regulated companies. Accordingly, the Town records these future obligations as regulatory liabilities.

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

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

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

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

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2014, the General Fund incurred expenditures in excess of appropriations in the following functions:

<u>Fund</u>	<u>Function</u>	<u>Expenditures Over Budget</u>
General	Public safety	\$ 180,138
General	Public works	\$ 56,592
General	Neighborhood housing rehabilitation	\$ 427

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 of Smyrna, as a depositor and an investor, generally requires full and continuous collateralization based upon fair value in the form of:

- Obligations of or guaranteed by the United States of America; or
- Obligations of the Federal National Mortgage Association, the Federal Home Mortgage Corporation, Public Housing Authority, or an agency or instrumentality of the United States of America; or
- General or revenue obligations of the State of Delaware or its municipalities, subdivisions, public housing authorities, or any agency or instrumentality of the State of Delaware.

As an investor, the Town of Smyrna may invest in any of the above cited instruments and/or certificates of deposit or repurchase agreements fully collateralized by one or more of the above-cited instruments.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

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

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2014, the carrying amount of the Town's deposits was \$1,136,015, and the bank balance was \$1,920,968. 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, 2014, \$269,769 was covered by federal depository insurance, and \$1,651,199 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 9 and 10.

***Investments***

As of December 31, 2014, the Town had the following investments:

U.S. Treasury bills	\$ 3,024,026
Mutual funds	<u>880,125</u>
	<u>\$ 3,904,151</u>

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

Interest Rate Risk

The Town has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments under the Town's investment policy are limited to a maximum maturity at time of purchase of four years. The Town may, for purposes of the Capital Improvement Fund only, invest in instruments having a maximum maturity at the time of purchase of 10 years; provided, however, that the maximum average maturity of the portfolio of the Capital Improvement Fund shall be seven years. At December 31, 2014, the Town's investments in U.S. Treasury bills had maturity dates of less than one year.

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.

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

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

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 "Four Stars" by Morning Star.

Concentration Risk

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

The above does not include pension fund investments disclosed in Notes 9 and 10.

NOTE 4 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,083,101	\$ 58,734	\$ 17,706	\$ 1,124,129
Construction-in-progress	444,667	890,009	-	1,334,676
Total Capital Assets Not Being Depreciated	<u>1,527,768</u>	<u>948,743</u>	<u>17,706</u>	<u>2,458,805</u>
Capital assets being depreciated:				
Buildings and improvements	6,946,196	13,750	-	6,959,946
Infrastructure	19,995,661	-	-	19,995,661
Land improvements	792,958	-	-	792,958
Machinery and equipment	4,229,935	59,255	94,396	4,194,794
Total Capital Assets Being Depreciated	<u>31,964,750</u>	<u>73,005</u>	<u>94,396</u>	<u>31,943,359</u>
Less accumulated depreciation for:				
Buildings and improvements	1,451,308	141,562	-	1,592,870
Infrastructure	7,584,142	665,705	-	8,249,847
Land improvements	483,303	25,353	-	508,656
Machinery and equipment	3,215,819	222,000	94,396	3,343,423
Total Accumulated Depreciation	<u>12,734,572</u>	<u>1,054,620</u>	<u>94,396</u>	<u>13,694,796</u>
Total Capital Assets Being Depreciated, Net	<u>19,230,178</u>	<u>(981,615)</u>	<u>-</u>	<u>18,248,563</u>
Governmental Activities Assets, Net	<u>\$ 20,757,946</u>	<u>\$ (32,872)</u>	<u>\$ 17,706</u>	<u>\$ 20,707,368</u>

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 398,752	\$ 22,500	\$ -	\$ 421,252
Construction-in-progress	<u>2,332,197</u>	<u>2,876,417</u>	<u>-</u>	<u>5,208,614</u>
Total Capital Assets Not Being Depreciated	<u>2,730,949</u>	<u>2,898,917</u>	<u>-</u>	<u>5,629,866</u>
Capital assets being depreciated:				
Buildings and improvements	3,321,334	-	56,000	3,265,334
Infrastructure	42,808,470	363,627	34,500	43,137,597
Machinery and equipment	<u>1,467,202</u>	<u>37,585</u>	<u>-</u>	<u>1,504,787</u>
Total Capital Assets Being Depreciated	<u>47,597,006</u>	<u>401,212</u>	<u>90,500</u>	<u>47,907,718</u>
Less accumulated depreciation for:				
Buildings and improvements	867,883	64,011	56,000	875,894
Infrastructure	8,685,741	1,154,072	865	9,838,948
Machinery and equipment	<u>1,172,010</u>	<u>53,476</u>	<u>-</u>	<u>1,225,486</u>
Total accumulated depreciation	<u>10,725,634</u>	<u>1,271,559</u>	<u>56,865</u>	<u>11,940,328</u>
Total Capital Assets Being Depreciated, Net	<u>36,871,372</u>	<u>(870,347)</u>	<u>33,635</u>	<u>35,967,390</u>
Business-type Activities Assets, Net	<u>\$ 39,602,321</u>	<u>\$ 2,028,570</u>	<u>\$ 33,635</u>	<u>\$ 41,597,256</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
General government	\$ 107,442
Public safety	238,071
Public works	665,705
Planning and inspection	1,562
Library	16,689
Culture and recreation	<u>25,151</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,054,620</u>
Business-type Activities:	
Electric	\$ 729,885
Water	<u>541,674</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,271,559</u>

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable	\$ 3,025,600	\$ -	\$ 129,000	\$ 2,896,600	\$ 131,150
Loans payable	409,619	890,009	-	1,299,628	832,827
Compensated absences	581,209	189,357	197,260	573,306	57,331
Post-employment benefits	<u>4,532,978</u>	<u>1,164,359</u>	<u>-</u>	<u>5,697,337</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 8,549,406</u></b>	<b><u>\$ 2,243,725</u></b>	<b><u>\$ 326,260</u></b>	<b><u>\$10,466,871</u></b>	<b><u>\$ 1,021,308</u></b>
<b>Business-type Activities:</b>					
Bonds payable	\$ 4,109,400	\$ -	\$ 171,000	\$ 3,938,400	\$ 173,850
Loans payable	8,161,433	3,334,376	1,117,222	10,378,587	2,045,285
Compensated absences	120,021	60,952	96,475	84,498	8,450
Post-employment benefits	<u>452,834</u>	<u>118,006</u>	<u>-</u>	<u>570,840</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$12,843,688</u></b>	<b><u>\$ 3,513,334</u></b>	<b><u>\$ 1,384,697</u></b>	<b><u>\$14,972,325</u></b>	<b><u>\$ 2,227,585</u></b>

For the governmental activities, compensated absences, and post-employment benefit obligations are generally liquidated by the General Fund for the governmental share. The business-type activities liquidate their own portions.

Bonds and Loans Payable

***Governmental Activities:***

The Town issued General Obligation Bonds, Series of 2011 which was used to prepay the Town's General Obligation Note, Series of 2007A and 2007B and pay certain costs of issuance. The loan matures March 1, 2031 and bears interest at 2% to 4.4% payable on March 1 and September 1.

\$ 2,896,600

Loan payable issued by the United States Department of Agriculture ("USDA") to finance the Police Department building project. The Town has currently obtained interim financing during the construction period and will be repaid using the proceeds from the USDA direct loan program. The loan bears interest at 1.55% payable monthly. The Town is still drawing down on this loan.

1,299,628

Total Governmental Activities

\$ 4,196,228

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

***Business-type Activities:***

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control and administered by the Delaware Department of Health and Social Services to fund a drinking water well located on Carter Road. The loan matures on May 1, 2024 and bears interest at 2.72% payable on May 1 and November 1. \$ 917,973

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control and administered by the Delaware Department of Health and Social Services to fund the North Water Tower. The loan matures on May 15, 2027 and bears interest at 2.41% payable on May 15 and November 15. 1,196,478

The Town issued General Obligation Bonds, Series of 2011 which was used to prepay the Town's General Obligation Note, Series of 2007A and 2007B and pay certain costs of issuance. The loan matures March 1, 2031 and bears interest at 2% to 4.4% payable on March 1 and September 1. 3,938,400

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control in the total amount of \$5,975,000. The loan is used to finance a number of municipal projects to improve, upgrade, and expand the Town's wastewater system. The loan is set to mature on April 30, 2032 and bears interest at 2%, payable semi-annually. The Town is still drawing down on this loan. 2,193,836

Loan payable issued by the Delaware Department of Health and Social Services to finance the Town's drinking water project. The loan matures May 1, 2031 and bears interest at 3.24% payable on May 1 and November 1. 1,642,541

Loan payable issued by the Delaware Department of Health and Social Services in the total amount of \$1,156,275 to finance the Town's Drinking Water project. There is no interest on this loan, and includes a principal forgiveness feature of 86%. The loan matures August 1, 2013. The Town is still drawing down on this loan. 140,460

The Town obtained a line of credit in the amount of \$1,000,000 to assist in providing interim funding for specific Water and Sewer projects that have committed financing in place. Interest is paid monthly at a floating rate. The loan matures May 31, 2015. At year end, the interest rate was 1.8%. 457,716

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

The Town obtained a line of credit in the amount of \$1,300,000 to assist in providing interim funding for a water project in the Town's north Duck Creek area. The loan matures May 31, 2015. Interest is paid monthly at a floating rate. At year end, the interest rate was 1.6%.

1,229,163

Loan payable issued by the United States Department of Agriculture in the total amount of \$1,190,000 to finance the Town's drinking water north of the Duck Creek project. The Town has currently obtained interim financing during the construction period and will be repaid using the proceeds from the USDA direct loan program. The Town is still drawing down on this loan. There is no interest on this loan.

203,672

Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the South Street wastewater project. The loan matures April 30, 2032 and bears interest at 2.0% payable on April 30 and October 30.

1,330,979

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.

297,154

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.

142,055

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.

565,683

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. There is no interest on this loan.

60,877

Total Business-type Activities \$ 14,316,987

TOWN OF SMYRNA  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2015	\$ 3,183,112	\$ 399,599	\$ 3,582,711
2016	682,544	383,567	1,066,111
2017	696,922	366,645	1,063,567
2018	716,548	348,275	1,064,823
2019	736,427	328,340	1,064,767
2020-2024	3,969,557	1,298,066	5,267,623
2025-2029	3,829,124	651,453	4,480,577
2030-2032	4,698,981	64,840	4,763,821
Total	<u>\$ 18,513,215</u>	<u>\$ 3,840,785</u>	<u>\$ 22,354,000</u>

Compensated Absences

At December 31, 2014, accrued compensated absences for governmental activities totaled \$573,306. This total is comprised of accrued vacation leave of \$234,083, accrued sick leave of \$322,183, and compensatory time of \$17,040. In addition, at December 31, 2014, accrued compensated absences in the business-type activities and proprietary funds totaled \$84,498. This total is comprised of accrued vacation leave of \$49,107 and accrued sick leave of \$35,391.

NOTE 6 INTERFUND BALANCE AND TRANSFERS

The composition of interfund transfers for the year ended December 31, 2014 was as follows:

<u>Interfund Transfers</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ -	\$ 3,730,635
Capital Improvement Fund	2,497,829	615,342
Water and Sewer Fund	381,766	595,058
Electric Fund	2,082,020	20,580
TOTAL	<u>\$ 4,961,615</u>	<u>\$ 4,961,615</u>

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 FUND BALANCE

As of December 31, 2014, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 65,389	\$ -	\$ -	\$ 65,389
Inventory	26,088	-	-	26,088
Restricted:				
Police	-	-	68,967	68,967
Public works	-	-	92,668	92,668
Committed:				
Capital projects	2,341,229	1,329,007	-	3,670,236
Unassigned	<u>85,949</u>	<u>-</u>	<u>-</u>	<u>85,949</u>
Total Fund Balances	<u>\$ 2,518,655</u>	<u>\$ 1,329,007</u>	<u>\$ 161,635</u>	<u>\$ 4,009,297</u>

During 2013, the Town established a Budget Reserve Account as passed by Town Ordinance. The Budget Reserve Account will be \$3,000,000 or 10 percent of the General Fund operating budget (excluding extraordinary or one-time items), whichever is greater. As of December 31, 2014, this account was not funded.

NOTE 8 NET INVESTMENT IN CAPITAL ASSETS

A schedule of net investment in capital assets as of December 31, 2014 is as follows:

Governmental Activities:	
Total capital assets, net	\$ 20,707,368
Less: loans/bonds payable	<u>4,196,228</u>
Total Net Investment in Capital Assets	<u>\$ 16,511,140</u>
Business-type Activities:	
Total capital assets, net	\$ 41,597,256
Less: loans/bonds payable	<u>14,316,987</u>
Total Net Investment in Capital Assets	<u>\$ 27,280,269</u>

NOTE 9 DEFINED BENEFIT PENSION PLANS

The Town participates in two defined benefit pension plans: the Town of Smyrna Police Pension Plan and the Town of Smyrna Employee Pension Plan. The Police Pension Plan, a single-employer defined benefit plan, covers all full-time uniformed police officers. The Employee Pension Plan, a single-employer defined benefit plan, covers all full-time permanent employees, other than police officers. The Town contributes to both plans.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLANS (cont'd)

The Town administers the assets of the two single-employer defined benefit plans and, accordingly, is required to prepare pension trust fund financial statements, using the accrual basis of accounting. Separate pension fund financial statements for each plan have not been issued; accordingly, they are presented as required by GASB Statement No. 34, as follows:

**STATEMENT OF NET POSITION - PENSION TRUST FUNDS**  
December 31, 2014

	Police	Employee	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 468,469	\$ 535,605	\$ 1,004,074
Interest receivable	2,942	3,589	6,531
Prepaid expense	19,394	17,351	36,745
Investments at fair value:			
Equities	1,338,620	1,253,373	2,591,993
Mutual funds	1,670,079	1,795,809	3,465,888
Fixed income	1,079,847	1,135,794	2,215,641
Exchange-traded funds	707,358	1,773,074	2,480,432
Insurance contracts	1,997,397	1,572,083	3,569,480
<b>TOTAL ASSETS</b>	<b>\$ 7,284,106</b>	<b>\$ 8,086,678</b>	<b>\$ 15,370,784</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>	<b>\$ 2,503</b>	<b>\$ 1,602</b>	<b>\$ 4,105</b>
<b>NET POSITION:</b>			
Net position restricted for pensions	7,281,603	8,085,076	15,366,679
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 7,284,106</b>	<b>\$ 8,086,678</b>	<b>\$ 15,370,784</b>

**STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS**  
For the Year Ended December 31, 2014

	Police	Employee	Totals
<b>ADDITIONS</b>			
Contributions:			
Employer contribution	\$ 644,926	\$ 282,736	\$ 927,662
Employee contribution	94,055	60,579	154,634
State aid - police	98,248	-	98,248
<b>Total Contributions</b>	<b>837,229</b>	<b>343,315</b>	<b>1,180,544</b>
Investment Income:			
Interest and dividends	196,462	205,063	401,525
Net appreciation (depreciation) of fair value of investments	54,072	(22,700)	31,372
<b>Total Investment Income</b>	<b>250,534</b>	<b>182,363</b>	<b>432,897</b>
Less investment expense	87,426	98,697	186,123
<b>Net Investment Income</b>	<b>163,108</b>	<b>83,666</b>	<b>246,774</b>
<b>TOTAL ADDITIONS</b>	<b>1,000,337</b>	<b>426,981</b>	<b>1,427,318</b>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLANS (cont'd)

STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS  
For the Year Ended December 31, 2014

	<u>Police</u>	<u>Employee</u>	<u>Totals</u>
DEDUCTIONS			
Benefits paid	359,975	194,963	554,938
Administrative Expenses	5,035	4,159	9,194
TOTAL DEDUCTIONS	<u>365,010</u>	<u>199,122</u>	<u>564,132</u>
NET INCREASE IN NET POSITION	635,327	227,859	863,186
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	<u>6,646,276</u>	<u>7,857,217</u>	<u>14,503,493</u>
End of year	<u>\$ 7,281,603</u>	<u>\$ 8,085,076</u>	<u>\$ 15,366,679</u>

Investment policy statements are adopted by the plan administrator for each pension plan. At the current time, the asset allocation for each of the Town's pension plans is as follows:

<u>Full-Time Employee Pension Plan</u>		<u>Police Pension Plan</u>	
<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Category Allocation</u>	<u>Target Allocation</u>
Cash	3.60%	Cash	1.88%
Short-term bonds	14.40%	Short-term bonds	16.50%
Intermediate-term bonds	1.40%	Intermediate-term bonds	0.75%
Long-term bonds	4.80%	Long-term bonds	2.25%
High yield bonds	0.40%	High yield bonds	0.19%
Global bonds	0.60%	Global bonds	0.38%
Large cap	6.00%	Large cap	6.75%
Small/mid cap	1.60%	Small/mid cap	0.75%
Large growth	4.80%	Large growth	6.75%
Large value	4.40%	Large value	6.75%
Small growth	3.20%	Small growth	3.00%
Small value	2.40%	Small value	2.62%
Mid cap growth	3.80%	Mid cap growth	4.50%
Mid cap value	6.00%	Mid cap value	6.00%
Foreign equities	6.60%	Foreign equities	5.62%
Emerging markets	4.00%	Emerging markets	3.18%
Real estate investments	0.80%	Real estate investments	0.38%
Commodities	4.00%	Commodities	3.75%
Hedge funds	7.20%	Hedge funds	3.00%
Aetna insurance contracts	20.00%	Aetna insurance contracts	25.00%
	<u>100.00%</u>		<u>100.00%</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION FUND

Plan Description and Provisions

The Town's Police Pension Fund is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. Police officers are required to contribute seven percent of compensation (base earnings plus longevity) beginning July 1, 2011, accumulated at an annual compound rate of interest of five percent per year. Police officer contributions totaled \$94,055 in 2014. The Town is required to contribute at an actuarially determined rate.

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

As of January 1, 2014, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	22
Terminated vested participants	5
Retirees and beneficiaries currently receiving benefits	<u>13</u>
	<u>40</u>

Police Pension Fund plan benefit provisions are as follows:

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

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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION FUND (cont'd)

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

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

There is no provision for early retirement.

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

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2014, the carrying amount of the Police Pension Fund deposits was \$468,469, and the bank balance of the Police Pension Fund deposits was \$468,469. Of this amount, \$262,459 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$206,010 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 Town of Smyrna Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income, and cash-equivalent securities and, as such, is intended to be structured less aggressively than speculative portfolios.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION FUND (cont'd)

As of December 31, 2014, the Town of Smyrna Police Pension Plan had the following investments:

	<u>Fair Value</u>
Equities	\$ 1,338,620
Mutual funds	1,670,079
Fixed income	1,079,847
Exchange-traded funds	707,358
Unallocated fixed income insurance contracts	<u>1,997,397</u>
Total	<u>\$ 6,793,301</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.

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, 2014 in accordance with GASB Statement No. 67. The funding may be impacted by differences in actual experience and the actuarial assumptions. The employer contributions are considered by the actuaries in their determination of the actuarially determined contribution.

The actuarially determined contribution conforms to the entry age normal cost method as defined in GASB Statement No. 67. The Town has valuations completed each year to monitor the progress of the net pension obligation. The calculation of the net pension asset for December 31, 2014 is presented below.

Annual required contribution ("ARC")	\$ 818,964
Interest on net pension asset	(8,808)
Adjustment to ARC	<u>34,848</u>
Annual pension cost	845,004
Employer contributions	<u>(743,174)</u>
Decrease in net pension asset	101,830
Net pension asset – beginning of year	<u>(146,793)</u>
Net pension asset – end of year	<u>\$ (44,963)</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION FUND (cont'd)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2014	\$ 845,004	87.95%	\$ (44,963)
2013	\$ 734,945	96.71%	\$ (146,793)
2012	\$ 652,484	112.77%	\$ (170,953)

Net Pension Liability

The components of the net pension liability of the police pension fund of the Town at December 31, 2014 is as follows:

Total pension liability	\$ 9,916,000
Fiduciary net position	(7,281,603)
Net pension liability	<u>\$ 2,634,397</u>
Plan fiduciary net position as a percentage of the total pension liability	73.43%

Discount Rate

The following presents the net pension liability of the police pension plan of the Town, calculated using the discount rate of 6.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current rate:

	<u>1% Decrease 5.00%</u>	<u>Current Rate Discount Rate 6.00%</u>	<u>1% Increase 7.00%</u>
Net pension liability	\$ 4,134,397	\$ 2,634,397	\$ 1,408,397

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, 2014, the annual money weighted rate of return on the police pension fund investments, net of investment expense was 2.37%. 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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 POLICE PENSION FUND (cont'd)

The following actuarial methods and assumptions were used in the January 1, 2014 funding valuation.

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	5 years
Amortization period	Closed
Asset valuation method	Current market value plus employer contributions expected to be made in the current year, discounted back to the current valuation date using the plan's investment rate of return assumption
Actuarial assumptions:	
Investment rate of return	6.00%
Discount rate	6.00%
Projected salary increases	Based on years of service
Cost of living adjustments	0.00%
Mortality	RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for pre-retirement.

The above information regarding the Police Pension Fund was taken from the January 1, 2014 Actuarial Valuation presented by Milliman, Inc., signed by Scott F. Porter, FSA and Timothy J. Nugent, FSA, dated January 12, 2015.

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND

Plan Description and Provisions

The Town's Full-Time Employee Pension Fund is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. Union participants are required to contribute three percent of annual compensation in excess of \$6,000 on or after January 1, 2013. Non-union participants are required to contribute 2.5 percent of annual compensation in excess of \$10,000 on or after January 1, 2014. Contributions are accumulated at an annual compound rate of interest of five percent per year. Employee contributions totaled \$60,579 in 2014. The Town is required to contribute an actuarially determined rate.

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

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

The Town's Full-time Employee Pension Fund does not issue a stand-alone financial report but is included in the financial statements with the required supplementary information.

As of January 1, 2014, the date of the most recent actuarial report, the pension plan membership consisted of the following:

Active employees	50
Terminated vested participants	23
Retirees and beneficiaries currently receiving benefits	<u>9</u>
	<u>82</u>

Full-time Employee Pension Fund 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, 2013 and non-union employees hired on or after March 1, 2013 are not eligible to participate in the plan.

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

	<u>Union</u>	<u>Non-union</u>
Before January 1, 2006	2.00%	2.00%
January 1, 2006 - December 31, 2011	2.50%	2.50%
January 1, 2013 - February 29, 2013	1.67%	2.50%
March 1, 2013 and after	1.67%	2.25%

The pension plan provides for normal retirement at age 65 and completion of 10 years of participation, or completion of 25 years of vesting service.

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

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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

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

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2014, the carrying amount of the full-time employee pension fund deposits was \$535,605, and the bank balance was \$535,605. Of this amount, \$79,505 was insured or registered and the securities held by the Town or its agent in the Town's name; and \$456,100 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 Town of Smyrna Full-time Employee Pension Fund 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, 2014, the Town of Smyrna Full-time Employee Pension Fund had the following investments:

	<u>Fair Value</u>
Equities	\$ 1,253,373
Mutual funds	1,795,809
Fixed income	1,135,794
Exchange-traded funds	1,773,074
Unallocated fixed income insurance contracts	<u>1,572,083</u>
Total	<u>\$ 7,530,133</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

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.

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, 2014 in accordance with GASB Statement No. 67. The funding may be impacted by differences in actual experience and the actuarial assumptions. The employer contributions are considered by the actuaries in their determination of the actuarially determined contribution.

The actuarially determined contribution conforms to the entry age normal cost method as defined in GASB Statement No. 67. The Town has valuations completed each year to monitor the progress of the net pension obligation. The calculation of the net pension asset for December 31, 2014 is presented below.

	<u>Governmental Activities</u>	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Annual required contribution ("ARC")	\$ 244,388	\$ 46,550	\$ 23,275	\$ 314,213
Interest on net pension asset	(17,677)	(3,367)	(1,684)	(22,728)
Adjustment to ARC	69,943	13,322	6,661	89,926
Annual pension cost	296,654	56,505	28,252	381,411
Employer contributions	(219,906)	(41,887)	(20,943)	(282,736)
Decrease in net pension asset	76,748	14,618	7,309	98,675
Net pension asset - beginning of year	<u>(294,622)</u>	<u>(56,117)</u>	<u>(28,060)</u>	<u>(378,799)</u>
Net pension asset - end of year	<u>\$ (217,874)</u>	<u>\$ (41,499)</u>	<u>\$ (20,751)</u>	<u>\$ (280,124)</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2014	\$ 381,411	74.13%	\$ (280,124)
2013	\$ 511,535	100.76%	\$ (378,799)
2012	\$ 653,584	104.30%	\$ (374,889)

Net Pension Liability

The components of the net pension liability of the full-time pension fund of the Town at December 31, 2014 is as follows:

Total pension liability	\$ 8,705,000
Fiduciary net position	(8,085,076)
Net pension liability	<u>\$ 619,924</u>
Plan fiduciary net position as a percentage of the total pension liability	92.88%

Discount Rate

The following presents the net pension liability of the full-time pension fund of the Town, calculated using the discount rate of 6.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current rate:

	<u>1% Decrease 5.00%</u>	<u>Current Rate Discount Rate 6.00%</u>	<u>1% Increase 7.00%</u>
Net pension liability (asset)	\$ 1,935,924	\$ 619,924	\$ (471,076)

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, 2014, the annual money weighted rate of return on the full-time pension fund investments, net of investment expense was 1.05%. 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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 FULL-TIME EMPLOYEES PENSION FUND (cont'd)

The following actuarial methods and assumptions were used in the January 1, 2014 funding valuation.

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	5 years
Amortization period	Closed
Asset valuation method	Current market value plus employer contributions expected to be made in the current year, discounted back to the current valuation date using the plan's investment rate of return assumption
 Actuarial assumptions:	
Investment rate of return	6.00%
Discount rate	6.00%
Projected salary increases	3.50%
Cost of living adjustments	0.00%
Mortality	RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for pre-retirement.

The above information regarding the Full-time Employees Pension Fund was taken from the January 1, 2014 Actuarial Valuation presented by Milliman, Inc., signed by Scott F. Porter, FSA and Timothy J. Nugent, FSA, dated January 12, 2015.

NOTE 12 POST-EMPLOYMENT POLICE RETIREMENT BENEFITS

Plan Description

The Town has implemented Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the Town. This statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

The Town's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Mayor and Council have the authority to establish and amend benefit provisions through the

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT POLICE RETIREMENT BENEFITS (cont'd)

collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2014, the Town contributed \$76,892 to the plan for current premiums, or approximately 93 percent of total premiums. Plan members receiving benefits contributed \$5,576, or approximately seven percent of total premiums, through their required monthly contributions.

Post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2014 totaled \$82,468.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the components of the Town's OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the plan.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 1,087,249	\$ 964,516	\$ 861,524
Interest on OPEB obligation	95,812	72,427	50,154
Adjustment to annual required contribution	<u>(350,026)</u>	<u>(244,200)</u>	<u>(157,355)</u>
Annual OPEB cost (expense)	833,035	792,743	754,323
Contributions made	<u>(81,700)</u>	<u>(73,200)</u>	<u>(69,000)</u>
Increase in net OPEB obligation	751,335	719,543	685,323
Net OPEB obligation, beginning of year	<u>2,948,059</u>	<u>2,228,516</u>	<u>1,543,193</u>
Net OPEB obligation, end of year	<u>\$ 3,699,394</u>	<u>\$ 2,948,059</u>	<u>\$ 2,228,516</u>

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT POLICE RETIREMENT BENEFITS (cont'd)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation through fiscal year 2014 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>NET OPEB Obligation</u>
2014	\$ 833,035	10%	\$ 3,699,394
2013	\$ 792,743	9%	\$ 2,948,059
2012	\$ 754,323	9%	\$ 2,228,516

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$5,161,700, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$5,161,700. The covered payroll (annual payroll of active employees covered by the plan) was \$1,161,000, and the ratio of the UAAL to the covered payroll was 444.6 percent.

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

Actuarial Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 3.25 percent per annum, discount rate compounded annually; a 2.5 percent per annum inflation rate; and an annual healthcare cost trend rate of 7.50 percent in 2014, reduced by decrements to an ultimate rate of 4.70 percent in 2084 and later. The UAAL is being amortized based on a level dollar, 15-year closed period. The remaining amortization period at December 31, 2014 was nine years.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS

Plan Description

The Town has implemented Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the Town. This statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Town Council. For fiscal year 2014, the Town contributed \$11,912 to the plan for current premiums, or 100 percent of total premiums.

Post-employment retirement benefits are recognized when paid. Post-employment retirement benefits for the year ended December 31, 2014 totaled \$11,912.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the components of the Town's OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the plan.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 726,147	\$ 638,981	\$ 565,657
Interest on OPEB obligation	66,227	49,767	34,076
Adjustment to annual required contribution	<u>(241,944)</u>	<u>(167,799)</u>	<u>(106,911)</u>
Annual OPEB cost (expense)	550,430	520,949	492,822
Contributions made	<u>(19,400)</u>	<u>(14,500)</u>	<u>(10,000)</u>
Increase in net OPEB obligation	531,030	506,449	482,822
Net OPEB obligation, beginning of year	<u>2,037,753</u>	<u>1,531,304</u>	<u>1,048,482</u>
Net OPEB obligation, end of year	<u><u>\$2,568,783</u></u>	<u><u>\$2,037,753</u></u>	<u><u>\$1,531,304</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation through fiscal year 2014 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>NET OPEB Obligation</u>
2014	\$ 550,430	4%	\$ 2,568,783
2013	\$ 520,949	3%	\$ 2,037,753
2012	\$ 492,822	2%	\$ 1,531,304

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$3,000,100, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$3,000,100. The covered payroll (annual payroll of active employees covered by the plan) was \$2,482,000, and the ratio of the UAAL to the covered payroll was 120.9 percent.

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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 POST-EMPLOYMENT EMPLOYEE RETIREMENT BENEFITS (cont'd)

Actuarial Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 3.25 percent per annum, discount rate compounded annually; a 2.50 percent per annum inflation rate; and an annual healthcare cost trend rate of 7.50 percent in 2014, reduced by decrements to an ultimate rate of 4.70 percent in 2084 and later. The UAAL is being amortized based on a level dollar, 15-year closed period. The remaining amortization period at December 31, 2014 was nine years.

NOTE 14 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 15 POWER SALES CONTRACTS

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

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

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 POWER SALES CONTRACTS (cont'd)

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

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

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

NOTE 16 COMMITMENTS AND CONTINGENCIES

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

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

<u>Project Name</u>	<u>Estimated Cost</u>	<u>Total Expended at 12/31/2014</u>
Waste Water System Project	\$ 5,975,000	\$ 4,626,087
Commerce Street - Water	1,156,275	972,196
North of Duck Creek - Water	1,190,000	954,786
Town of Smyrna Police Department Building	4,000,000	1,299,628
Mt. Vernon and Frazier Street water projects	700,958	60,877
	<u>\$13,022,233</u>	<u>\$ 7,913,574</u>

Certain projects totaling \$1,370,284 within the above-noted projects have been completed and placed in service.

TOWN OF SMYRNA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 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 18 UNEARNED REVENUES

The Town received an advance payment of impact fees totaling \$931,241 in the General Fund. As of December 31, 2014, only an amount totaling \$410,717 was an enforceable legal claim (at the point the fees become nonrefundable). The remaining balance of \$520,524 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 19 SUBSEQUENT EVENTS

The Town has evaluated all subsequent events through May 13, 2015, 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 FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**

<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 327,657
Interest on total pension liability	568,978
Effect of economic/demographic loss	44,041
Benefit payments	<u>(359,975)</u>
Net change in total pension liability	580,701
Total pension liability, beginning	<u>9,335,299</u>
Total pension liability, ending (a)	<u><u>\$ 9,916,000</u></u>
<b>FIDUCIARY NET POSITION</b>	
Employer contributions	\$ 743,174
Member contributions	94,055
Investment income net of investment expenses	163,108
Benefit payments	<u>(359,975)</u>
Administrative expenses	<u>(5,035)</u>
Net change in fiduciary net position	<u>635,327</u>
Fiduciary net position, beginning	<u>6,646,276</u>
Fiduciary net position, ending (b)	<u><u>\$ 7,281,603</u></u>
Net pension liability [(a) - (b)]	<u><u>\$ 2,634,397</u></u>
Plan fiduciary net position as a percentage of the total pension liability	73.43%
Covered payroll	1,381,065
Net pension liability as a percentage of covered payroll	190.75%
Annual money weighted return, net of investment expenses	2.37%

**Note on Cumulative Information**

In accordance with GASB Statement No. 67, 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 CHANGES IN THE TOWN'S NET PENSION LIABILITY,**  
**RELATED RATIOS, AND INVESTMENT RETURNS - EMPLOYEE PENSION FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**

<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 307,110
Interest on total pension liability	500,216
Effect of economic/demographic gain	(34,663)
Benefit payments	(194,963)
Net change in total pension liability	<u>577,700</u>
Total pension liability, beginning	8,127,300
Total pension liability, ending (a)	<u><u>\$ 8,705,000</u></u>
<b>FIDUCIARY NET POSITION</b>	
Employer contributions	\$ 282,736
Member contributions	60,579
Investment income net of investment expenses	83,666
Benefit payments	(194,963)
Administrative expenses	(4,159)
Net change in fiduciary net position	<u>227,859</u>
Fiduciary net position, beginning	7,857,217
Fiduciary net position, ending (b)	<u><u>\$ 8,085,076</u></u>
Net pension liability [(a) - (b)]	<u><u>\$ 619,924</u></u>
Plan fiduciary net position as a percentage of the total pension liability	92.88%
Covered payroll	2,446,089
Net pension liability as a percentage of covered payroll	25.34%
Annual money weighted return, net of investment expenses	1.05%

**Note on Cumulative Information**

In accordance with GASB Statement No. 67, 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 EMPLOYER CONTRIBUTIONS - POLICE PENSION FUND  
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
2005	\$ 222,850	\$ 222,850	-	\$ 888,480	25.08%
2006	355,321	355,321	-	1,033,220	34.39%
2007	434,667	434,667	-	1,051,536	41.34%
2008	433,209	433,209	-	1,154,660	37.52%
2009	469,209	470,007	(798)	1,301,300	36.12%
2010	636,517	582,095	54,422	1,390,092	41.87%
2011	683,829	736,757	(52,928)	1,131,507	65.11%
2012	643,627	735,774	(92,147)	1,161,460	63.35%
2013	710,437	710,785	(348)	1,343,083	52.92%
2014	818,964	743,174	75,790	1,381,065	53.81%

**Actuarial Methods and Significant Assumptions**

Valuation date  
 Actuarial cost method  
 Amortization method  
 Remaining amortization period  
 Amortization period  
 Asset valuation method

January 1, 2014  
 Entry Age Normal (GASB Statement No. 67 version)  
 Level Dollar Amortization  
 5 years  
 Closed  
 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  
 Discount rate  
 Projected salary increases  
 Cost of living adjustments  
 Mortality

6.00%  
 6.00%  
 Based on years of service  
 0.00%  
 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 FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2005	\$ 235,818	\$ 235,818	\$ -	\$ 1,495,680	15.77%
2006	238,958	238,958	-	1,699,532	14.06%
2007	415,674	415,674	-	2,005,968	20.72%
2008	493,464	493,464	-	2,185,008	22.58%
2009	542,282	543,128	(846)	2,243,955	24.20%
2010	715,823	655,417	60,406	2,579,706	25.41%
2011	708,657	768,252	(59,595)	2,525,418	30.42%
2012	618,547	681,700	(63,153)	2,452,320	27.80%
2013	457,790	515,445	(57,655)	2,430,423	21.21%
2014	314,213	282,736	31,477	2,446,089	11.56%

**Actuarial Methods and Significant Assumptions**

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	5 years
Amortization period	Closed
Asset valuation method	Current market value plus employer contributions expected to be made in the current year, discounted back to the current valuation date using the plan's investment rate of return assumption
Actuarial assumptions:	
Investment rate of return	6.00%
Discount rate	6.00%
Projected salary increases	3.50%
Cost of living adjustments	0.00%
Mortality	RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for pre-retirement.

TOWN OF SMYRNA

REQUIRED SUPPLEMENTARY INFORMATION

POST-EMPLOYMENT HEALTHCARE BENEFITS -  
SCHEDULE OF FUNDING PROGRESS - TOWN EMPLOYEES AND POLICE

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Full-time Employees	1/1/2012	\$ -	\$3,000,100	\$3,000,100	0.00%	\$2,482,000	120.87%
Police	1/1/2012	-	5,161,700	5,161,700	0.00%	1,161,000	444.60%
Full-time Employees	1/1/2009	-	2,015,000	2,015,000	0.00%	2,244,000	89.80%
Police	1/1/2009	-	3,648,000	3,648,000	0.00%	1,301,000	280.40%

POST-EMPLOYMENT HEALTH CARE BENEFITS -  
SCHEDULE OF ANNUAL EMPLOYER COST - TOWN EMPLOYEES AND POLICE

	Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Full-time Employees	12/31/2014	\$ 550,430	3.52%	\$ 2,568,783
Police	12/31/2014	833,035	9.81%	3,699,394
Full-time Employees	12/31/2013	520,949	2.78%	2,037,753
Police	12/31/2013	792,743	9.23%	2,948,059
Full-time Employees	12/31/2012	492,822	2.00%	1,531,304
Police	12/31/2012	754,323	9.00%	2,228,516
Full-time Employees	12/31/2011	376,557	6.16%	1,048,482
Police	12/31/2011	586,015	12.42%	1,543,193
Full-time Employees	12/31/2010	376,557	4.81%	695,125
Police	12/31/2010	586,015	9.95%	1,029,978
Full-time Employees	12/31/2009	354,768	5.10%	336,668
Police	12/31/2009	554,963	9.50%	502,263

**SUPPLEMENTARY INFORMATION SECTION**

**TOWN OF SMYRNA**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**

	<u>Municipal Street Aid Fund</u>	<u>S.A.L.L.E. Fund</u>	<u>E.I.D.E. Fund</u>	<u>Resource Officer Fund</u>	<u>Forfeiture Fund</u>	<u>Totals</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 44,735	\$ 3,359	\$ 2,251	\$ 47,040	\$ 16,317	\$ 113,702
Investments	<u>263,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,204</u>
<b>TOTAL ASSETS</b>	<u>\$ 307,939</u>	<u>\$ 3,359</u>	<u>\$ 2,251</u>	<u>\$ 47,040</u>	<u>\$ 16,317</u>	<u>\$ 376,906</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 215,271	\$ -	\$ -	\$ -	\$ -	\$ 215,271
<b>FUND BALANCES</b>						
Restricted for:						
Police expenditures	-	3,359	2,251	47,040	16,317	68,967
Public works expenditures	<u>92,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,668</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 92,668</u>	<u>\$ 3,359</u>	<u>\$ 2,251</u>	<u>\$ 47,040</u>	<u>\$ 16,317</u>	<u>\$ 161,635</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 307,939</u>	<u>\$ 3,359</u>	<u>\$ 2,251</u>	<u>\$ 47,040</u>	<u>\$ 16,317</u>	<u>\$ 376,906</u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Municipal Street Aid Fund	S.A.L.L.E. Fund	E.I.D.E. Fund	Resource Officer Fund	Forfeiture Fund	Total
<b>REVENUES</b>						
Intergovernmental	\$ 201,406	\$ 3,690	\$ 1,000	\$ 22,613	\$ 19,600	\$ 248,309
Investment income	52	-	-	-	-	52
<b>TOTAL REVENUES</b>	<u>201,458</u>	<u>3,690</u>	<u>1,000</u>	<u>22,613</u>	<u>19,600</u>	<u>248,361</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Public safety - police	-	5,463	4,460	24,877	23,090	57,890
Public works	244,620	-	-	-	-	244,620
<b>TOTAL EXPENDITURES</b>	<u>244,620</u>	<u>5,463</u>	<u>4,460</u>	<u>24,877</u>	<u>23,090</u>	<u>302,510</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(43,162)</u>	<u>(1,773)</u>	<u>(3,460)</u>	<u>(2,264)</u>	<u>(3,490)</u>	<u>(54,149)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>(43,162)</u>	<u>(1,773)</u>	<u>(3,460)</u>	<u>(2,264)</u>	<u>(3,490)</u>	<u>(54,149)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>135,830</u>	<u>5,132</u>	<u>5,711</u>	<u>49,304</u>	<u>19,807</u>	<u>215,784</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 92,668</u>	<u>\$ 3,359</u>	<u>\$ 2,251</u>	<u>\$ 47,040</u>	<u>\$ 16,317</u>	<u>\$ 161,635</u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2014**  
**(With Summarized Comparative Data for December 31, 2013)**

	<b>Police Pension Trust Fund</b>	<b>Employee Pension Trust Fund</b>	<b>Totals</b>	
			<u>2014</u>	<u>2013</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 468,469	\$ 535,605	\$ 1,004,074	\$ 956,373
Interest receivable	2,942	3,589	6,531	5,799
Prepaid expense	19,394	17,351	36,745	30,138
Investments at fair value:				
Equities	1,338,620	1,253,373	2,591,993	2,470,637
Mutual funds	1,670,079	1,795,809	3,465,888	3,422,915
Fixed income	1,079,847	1,135,794	2,215,641	2,009,067
Exchange-traded funds	707,358	1,773,074	2,480,432	2,061,677
Insurance contracts	1,997,397	1,572,083	3,569,480	3,577,958
<b>TOTAL ASSETS</b>	<u>\$ 7,284,106</u>	<u>\$ 8,086,678</u>	<u>\$15,370,784</u>	<u>\$14,534,564</u>
 <b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,503	\$ 1,602	\$ 4,105	\$ 31,071
<b>NET POSITION</b>				
Net position restricted for pensions	<u>7,281,603</u>	<u>8,085,076</u>	<u>15,366,679</u>	<u>14,503,493</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 7,284,106</u>	<u>\$ 8,086,678</u>	<u>\$15,370,784</u>	<u>\$14,534,564</u>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(With Summarized Comparative Data for the Year Ended December 31, 2013)**

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals	
			2014	2013
<b>ADDITIONS:</b>				
<b>Contributions:</b>				
Employer contribution	\$ 644,926	\$ 282,736	\$ 927,662	\$ 1,126,201
Employee contributions	94,055	60,579	154,634	157,928
State aid - police	98,248	-	98,248	100,029
<b>Total Contributions</b>	<u>837,229</u>	<u>343,315</u>	<u>1,180,544</u>	<u>1,384,158</u>
<b>Investment Income:</b>				
Interest and dividends	196,462	205,063	401,525	414,593
Net appreciation (depreciation) in fair value of investments	54,072	(22,700)	31,372	751,102
<b>Total Investment Income</b>	<u>250,534</u>	<u>182,363</u>	<u>432,897</u>	<u>1,165,695</u>
Less investment expense	87,426	98,697	186,123	193,351
<b>Net Investment Income</b>	<u>163,108</u>	<u>83,666</u>	<u>246,774</u>	<u>972,344</u>
<b>TOTAL ADDITIONS</b>	<u>1,000,337</u>	<u>426,981</u>	<u>1,427,318</u>	<u>2,356,502</u>
<b>DEDUCTIONS:</b>				
Benefits paid	359,975	194,963	554,938	434,330
Administrative expenses	5,035	4,159	9,194	2,653
<b>TOTAL DEDUCTIONS</b>	<u>365,010</u>	<u>199,122</u>	<u>564,132</u>	<u>436,983</u>
<b>NET INCREASE IN NET POSITION</b>	635,327	227,859	863,186	1,919,519
<b>NET POSITION RESTRICTED FOR PENSIONS:</b>				
Beginning of year	<u>6,646,276</u>	<u>7,857,217</u>	<u>14,503,493</u>	<u>12,583,974</u>
End of year	<u>\$ 7,281,603</u>	<u>\$ 8,085,076</u>	<u>\$ 15,366,679</u>	<u>\$ 14,503,493</u>



Photo by Jennifer Daily

## STATISTICAL SECTION

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

### Contents

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

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

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

#### **Operating Information**

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement No. 34 in fiscal year 2004; schedules presenting entity-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*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 16,511,140	\$ 17,322,727	\$ 17,800,609	\$ 16,410,827	\$ 16,779,039	\$ 17,305,604	\$ 16,572,941	\$ 15,557,668	\$ 6,728,354	\$ 6,767,901
Restricted for police	68,967	79,954	83,336	93,791	66,301	59,755	59,436	53,776	47,285	58,873
Restricted for public works	92,668	135,830	297,609	524,523	416,287	262,774	148,140	210,250	171,833	242,887
Unrestricted (deficit)	(1,987,892)	(824,096)	352,459	773,079	1,887,933	3,415,301	5,113,893	4,373,230	3,602,789	3,349,457
Total governmental activities net assets	<u>\$ 14,684,883</u>	<u>\$ 16,714,415</u>	<u>\$ 18,534,013</u>	<u>\$ 17,802,220</u>	<u>\$ 19,149,560</u>	<u>\$ 21,043,434</u>	<u>\$ 21,894,410</u>	<u>\$ 20,194,924</u>	<u>\$ 10,550,261</u>	<u>\$ 10,419,118</u>
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 27,280,269	\$ 27,331,488	\$ 25,581,921	\$ 23,200,177	\$ 23,321,078	\$ 22,173,690	\$ 19,989,271	\$ 18,048,736	\$ 9,897,663	\$ 7,542,931
Restricted for capital projects	1,409,939	195,702	236,335	1,036,547	162,953	848,290	-	-	-	-
Unrestricted	533,282	1,602,722	1,231,180	2,516,567	2,255,968	1,728,246	2,284,157	2,967,735	1,922,016	1,105,734
Total business-type activities net assets	<u>\$ 29,223,490</u>	<u>\$ 29,129,912</u>	<u>\$ 27,049,436</u>	<u>\$ 26,753,291</u>	<u>\$ 25,739,999</u>	<u>\$ 24,750,226</u>	<u>\$ 22,273,428</u>	<u>\$ 21,016,471</u>	<u>\$ 11,819,679</u>	<u>\$ 8,648,665</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 43,791,409	\$ 44,654,215	\$ 43,382,530	\$ 39,611,004	\$ 40,100,117	\$ 39,479,294	\$ 36,562,212	\$ 33,606,404	\$ 16,626,017	\$ 14,310,832
Restricted for police	68,967	79,954	83,336	93,791	66,301	59,755	59,436	53,776	47,285	58,873
Restricted for public works	92,668	135,830	297,609	524,523	416,287	262,774	148,140	210,250	171,833	242,887
Restricted for capital projects	1,409,939	195,702	236,335	1,036,547	162,953	848,290	-	-	-	-
Unrestricted (deficit)	(1,454,610)	778,626	1,583,639	3,289,646	4,143,901	5,143,547	7,398,050	7,340,965	5,524,805	4,455,191
Total primary government	<u>\$ 43,908,373</u>	<u>\$ 45,844,327</u>	<u>\$ 45,583,449</u>	<u>\$ 44,555,511</u>	<u>\$ 44,889,559</u>	<u>\$ 45,793,660</u>	<u>\$ 44,167,838</u>	<u>\$ 41,211,395</u>	<u>\$ 22,369,940</u>	<u>\$ 19,067,783</u>

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

Source: Town financial reports

**TOWN OF SMYRNA**

**CHANGES IN NET POSITION**

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

*Accrual basis of accounting*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities										
General government	\$ 894,143	\$ 916,169	\$ 819,583	\$ 979,679	\$ 639,478	\$ 991,556	\$ 541,804	\$ 759,203	\$ 857,943	\$ 1,484,176
Public safety	5,058,205	4,891,398	4,397,133	4,126,417	4,173,614	3,900,646	3,347,620	3,038,754	3,163,053	3,044,863
Public works	3,184,907	3,164,500	3,377,238	2,824,054	2,529,000	2,396,831	2,686,125	2,463,952	1,723,522	1,294,100
Planning and inspection	643,618	615,649	686,349	766,442	702,608	674,914	797,144	836,185	753,951	563,118
Library	381,152	341,844	339,695	292,287	245,271	290,558	272,447	283,318	381,555	364,013
Culture and recreation	387,046	312,689	276,295	206,521	325,927	308,638	356,473	301,762	269,896	284,864
Business park	-	-	-	10,360	11,155	11,370	13,325	12,805	13,906	42,994
Neighborhood housing rehabilitation	427	335	568	-	-	1,592	-	6,895	50,106	-
Interest on long-term debt	116,385	114,366	114,348	215,866	143,016	147,638	96,271	-	-	-
Total governmental activities	<u>10,665,883</u>	<u>10,356,950</u>	<u>10,011,209</u>	<u>9,421,626</u>	<u>8,770,069</u>	<u>8,723,743</u>	<u>8,111,209</u>	<u>7,702,874</u>	<u>7,213,932</u>	<u>7,078,128</u>
Business-type activities										
Electric	11,974,904	11,472,593	12,047,790	12,668,683	12,695,759	11,505,781	11,429,814	10,582,868	9,778,074	8,304,862
Water/Sewer	3,375,782	3,395,598	2,965,988	2,879,104	2,918,014	2,687,910	2,743,058	2,499,947	2,135,690	2,085,121
Total business-type activities	<u>15,350,686</u>	<u>14,868,191</u>	<u>15,013,778</u>	<u>15,547,787</u>	<u>15,613,773</u>	<u>14,193,691</u>	<u>14,172,872</u>	<u>13,082,815</u>	<u>11,913,764</u>	<u>10,389,983</u>
Total primary government expenses	<u>\$ 26,016,569</u>	<u>\$ 25,225,141</u>	<u>\$ 25,024,987</u>	<u>\$ 24,969,413</u>	<u>\$ 24,383,842</u>	<u>\$ 22,917,434</u>	<u>\$ 22,284,081</u>	<u>\$ 20,785,689</u>	<u>\$ 19,127,696</u>	<u>\$ 17,468,111</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 323,364	\$ 273,283	\$ 242,335	\$ 213,500	\$ 312,924	\$ 495,144	\$ 670,436	\$ 843,486	\$ 614,997	\$ 626,031
Public safety	131,470	156,739	151,054	118,042	95,411	98,743	140,480	104,268	129,169	140,784
Public works	1,323,104	1,260,599	1,163,188	1,138,606	1,065,489	943,340	890,563	981,985	751,504	573,968
Planning and inspection	479,485	369,639	474,028	323,075	389,704	507,841	564,419	657,992	531,552	446,085
Library	136,257	102,163	96,451	81,233	152,890	64,292	51,747	44,803	26,867	29,299
Operating grants and contributions	593,361	480,870	587,195	734,687	485,541	400,186	519,984	554,430	558,849	415,450
Capital grants and contributions	-	472,216	2,159,991	732,075	107,875	1,145,990	852,537	851,855	48,277	100,000
Total governmental activities	<u>2,987,041</u>	<u>3,115,509</u>	<u>4,874,242</u>	<u>3,341,218</u>	<u>2,609,834</u>	<u>3,655,536</u>	<u>3,690,166</u>	<u>4,038,819</u>	<u>2,661,215</u>	<u>2,331,617</u>
Business-type activities										
Charges for services										
Electric	13,295,462	12,768,215	13,518,689	14,047,848	13,832,744	13,213,378	13,125,246	12,392,787	12,584,841	9,693,440
Water/Sewer	3,555,119	3,247,342	3,252,812	3,297,172	3,452,336	3,056,770	3,126,298	2,867,186	2,754,992	2,592,480
Operating grants and contributions	-	-	11,932	21,365	-	-	-	-	-	-
Capital grants and contributions	208,102	3,122,453	2,784,485	1,618,655	600,108	1,657,139	1,404,042	2,267,173	1,245,688	230,715
Total business-type activities	<u>17,058,683</u>	<u>19,138,010</u>	<u>19,567,918</u>	<u>18,985,040</u>	<u>17,885,188</u>	<u>17,927,287</u>	<u>17,655,586</u>	<u>17,527,146</u>	<u>16,585,521</u>	<u>12,516,635</u>
Total primary government program revenues	<u>\$ 20,045,724</u>	<u>\$ 22,253,519</u>	<u>\$ 24,442,160</u>	<u>\$ 22,326,258</u>	<u>\$ 20,495,022</u>	<u>\$ 21,582,823</u>	<u>\$ 21,345,752</u>	<u>\$ 21,565,965</u>	<u>\$ 19,246,736</u>	<u>\$ 14,848,252</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (7,678,842)	\$ (7,241,441)	\$ (5,136,967)	\$ (6,080,408)	\$ (6,160,235)	\$ (5,068,207)	\$ (4,421,043)	\$ (3,664,055)	\$ (4,552,717)	\$ (4,746,511)
Business-type activities	1,707,997	4,269,819	4,554,140	3,437,253	2,271,415	3,733,596	3,482,714	4,444,331	4,671,757	2,126,652
Total primary government net expense	<u>\$ (5,970,845)</u>	<u>\$ (2,971,622)</u>	<u>\$ (582,827)</u>	<u>\$ (2,643,155)</u>	<u>\$ (3,888,820)</u>	<u>\$ (1,334,611)</u>	<u>\$ (938,329)</u>	<u>\$ 780,276</u>	<u>\$ 119,040</u>	<u>\$ (2,619,859)</u>

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

Source: Town financial reports

**Continued on next page.**

**TOWN OF SMYRNA**

**CHANGES IN NET POSITION**

*Last ten fiscal years ending December 31,*

*(Unaudited)*

*Accrual basis of accounting*

*Cont'd*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Real estate taxes	\$ 2,940,321	\$ 2,603,882	\$ 2,347,762	\$ 2,015,044	\$ 2,074,467	\$ 1,933,324	\$ 1,841,492	\$ 1,201,024	\$ 1,092,855	\$ 1,042,204
Real estate transfer taxes	619,310	417,320	512,265	361,336	561,542	669,914	1,051,590	962,133	1,534,963	1,564,109
Franchise fees	181,844	169,336	193,997	146,203	143,993	132,249	125,903	116,123	105,001	98,004
Investment earnings	13,341	24,717	14,490	5,827	11,037	56,471	196,127	303,640	222,231	83,072
Miscellaneous income	46,346	16,699	174,438	117,937	193,559	167,996	75,126	42,196	44,257	36,009
Net gain on disposal of capital assets	-	-	-	-	-	-	602,138	-	3,382	5,069
Transfers	1,848,148	2,189,889	2,625,808	2,086,721	1,281,763	1,257,277	2,228,153	2,474,694	1,628,923	-
Total governmental activities	5,649,310	5,421,843	5,868,760	4,733,068	4,266,361	4,217,231	6,120,529	5,099,810	4,631,612	2,828,467
Business-type activities										
Investment earnings	154	546	148	140	121	479	2,396	1,805	2,949	104,944
Net gain on sale of capital assets	233,575	-	-	-	-	-	-	-	5,837	2,820
Transfers	(1,848,148)	(2,189,889)	(2,625,808)	(2,086,721)	(1,281,763)	(1,257,277)	(2,228,153)	(2,474,694)	(1,628,923)	-
Total business-type activities	(1,614,419)	(2,189,343)	(2,625,660)	(2,086,581)	(1,281,642)	(1,256,798)	(2,225,757)	(2,472,889)	(1,620,137)	107,764
Total primary government	\$ 4,034,891	\$ 3,232,500	\$ 3,243,100	\$ 2,646,487	\$ 2,984,719	\$ 2,960,433	\$ 3,894,772	\$ 2,626,921	\$ 3,011,475	\$ 2,936,231
<b>Change in Net Position</b>										
Governmental activities	\$ (2,029,532)	\$ (1,819,598)	\$ 731,793	\$ (1,347,340)	\$ (1,893,874)	\$ (850,976)	\$ 1,699,486	\$ 1,435,755	\$ 78,895	\$ (1,918,044)
Business-type activities	93,578	2,080,476	1,928,480	1,350,672	989,773	2,476,798	1,256,957	1,971,442	3,051,620	2,234,416
Total primary government	\$ (1,935,954)	\$ 260,878	\$ 2,660,273	\$ 3,332	\$ (904,101)	\$ 1,625,822	\$ 2,956,443	\$ 3,407,197	\$ 3,130,515	\$ 316,372

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

Source: Town financial reports

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General Fund</b>										
Nonspendable	\$ 91,477	\$ 85,899	\$ 83,944	\$ 82,451	\$ 25,781	\$ -	\$ -	\$ 45,080	\$ 45,080	\$ 45,080
Committed	2,341,229	-	-	-	-	-	-	-	-	-
Unassigned	85,949	268,432	506,330	727,425	641,742	444,959	322,647	518,895	842,635	727,909
Total general fund	<u>\$ 2,518,655</u>	<u>\$ 354,331</u>	<u>\$ 590,274</u>	<u>\$ 809,876</u>	<u>\$ 667,523</u>	<u>\$ 444,959</u>	<u>\$ 322,647</u>	<u>\$ 563,975</u>	<u>\$ 887,715</u>	<u>\$ 772,989</u>
<b>All Other Governmental Funds</b>										
Committed	\$ 1,329,007	\$ 3,257,475	\$ 2,927,248	\$ 2,177,953	\$ 2,602,230	\$ 3,891,067	\$ 7,343,233	\$ 4,105,139	\$ 3,169,902	\$ 2,906,174
Restricted	161,635	215,784	380,945	618,314	482,588	322,529	207,576	264,026	219,118	301,760
Total all other governmental funds	<u>\$ 1,490,642</u>	<u>\$ 3,473,259</u>	<u>\$ 3,308,193</u>	<u>\$ 2,796,267</u>	<u>\$ 3,084,818</u>	<u>\$ 4,213,596</u>	<u>\$ 7,550,809</u>	<u>\$ 4,369,165</u>	<u>\$ 3,389,020</u>	<u>\$ 3,207,934</u>
Total governmental fund balances	<u>\$ 4,009,297</u>	<u>\$ 3,827,590</u>	<u>\$ 3,898,467</u>	<u>\$ 3,606,143</u>	<u>\$ 3,752,341</u>	<u>\$ 4,658,555</u>	<u>\$ 7,873,456</u>	<u>\$ 4,933,140</u>	<u>\$ 4,276,735</u>	<u>\$ 3,980,923</u>

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

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues</b>										
Property taxes	\$ 3,004,848	\$ 2,574,536	\$ 2,342,060	\$ 2,024,737	\$ 2,128,117	\$ 1,900,363	\$ 1,743,747	\$ 1,138,746	\$ 1,157,148	\$ 933,914
Transfer taxes	619,310	417,320	512,265	361,336	561,542	669,914	1,051,590	962,133	1,534,963	1,564,109
Special assessment/impact fees	294,875	244,709	207,348	182,977	286,527	470,676	624,061	843,486	614,997	573,968
Charges for services	1,402,868	1,258,056	1,236,859	1,183,416	1,091,512	1,070,184	945,717	929,401	774,234	678,678
Intergovernmental	679,029	1,022,750	873,207	819,827	716,691	1,547,005	840,427	621,854	648,458	503,830
Licenses, fees, and permits	378,076	392,599	336,364	269,741	377,760	421,777	564,434	656,911	528,649	446,085
Fines and forfeits	142,462	123,365	214,892	130,298	87,287	62,553	85,312	76,161	86,770	86,096
Rentals	-	-	-	-	-	-	-	-	-	-
Franchise fees	181,844	169,336	193,997	146,203	143,993	132,249	125,903	116,124	105,001	98,004
Investment income	13,341	24,717	14,490	5,827	11,037	56,471	196,127	303,640	222,231	83,072
Miscellaneous	153,783	100,844	276,449	185,096	243,616	183,538	84,212	108,219	47,160	38,050
<b>Total revenues</b>	<b>6,870,436</b>	<b>6,328,232</b>	<b>6,207,931</b>	<b>5,309,458</b>	<b>5,648,082</b>	<b>6,514,730</b>	<b>6,261,530</b>	<b>5,756,675</b>	<b>5,719,611</b>	<b>5,005,806</b>
<b>Expenditures</b>										
General government	632,914	706,987	747,625	545,586	609,219	717,819	569,885	792,141	1,624,741	1,483,809
Public safety	4,054,080	4,023,807	3,495,209	3,661,984	3,253,942	3,474,587	3,204,640	3,124,268	3,131,211	2,486,617
Public works	2,272,942	2,397,179	2,030,731	1,814,602	1,661,782	1,894,852	1,833,994	1,550,562	1,144,794	1,021,402
Planning and inspection	572,085	555,314	730,730	695,978	631,693	790,029	838,069	743,044	559,968	500,380
Library	341,625	295,043	264,527	234,277	261,747	256,168	212,443	233,489	214,588	181,162
Culture and recreation	352,336	304,463	176,990	313,789	276,030	351,120	306,941	256,940	288,112	206,747
Business park	-	-	10,360	11,155	11,370	13,325	12,805	221,936	42,994	-
Neighborhood housing rehabilitation	427	335	-	-	1,592	-	6,895	50,106	-	-
Debt service:										
Principal	129,000	126,850	18,640	111,549	106,904	58,921	-	-	-	-
Interest	116,294	114,261	88,146	143,232	147,877	89,851	-	-	-	-
Bond issuance costs	-	-	66,515	-	-	-	-	-	-	-
Capital outlays	955,183	474,378	80,925	303,907	4,047,151	1,929,437	592,002	135,866	1,356,635	1,526,497
<b>Total expenditures</b>	<b>9,426,886</b>	<b>8,998,617</b>	<b>7,710,398</b>	<b>7,836,059</b>	<b>11,009,307</b>	<b>9,576,109</b>	<b>7,577,674</b>	<b>7,108,352</b>	<b>8,363,043</b>	<b>7,406,614</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,556,450)</b>	<b>(2,670,385)</b>	<b>(1,502,467)</b>	<b>(2,526,601)</b>	<b>(5,361,225)</b>	<b>(3,061,379)</b>	<b>(1,316,144)</b>	<b>(1,351,677)</b>	<b>(2,643,432)</b>	<b>(2,400,808)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from sale of capital assets	-	-	-	-	-	624,367	2,710	3,382	12,551	93,560
Loan issuance	890,009	409,619	-	-	-	3,356,000	-	-	-	-
Bond issuance	-	-	3,275,000	-	-	-	-	-	-	-
Bond discount	-	-	(46,993)	-	-	-	-	-	-	-
Prepayment of note	-	-	(3,059,986)	-	-	-	-	-	-	-
Refund of prior year expenditures	-	-	-	-	22,399	46,375	-	-	-	-
Transfers in	4,345,977	2,961,419	2,498,977	2,414,739	2,378,177	3,575,558	2,812,575	1,684,600	506,885	5,754,847
Transfers out	(2,497,829)	(771,530)	(412,256)	(1,132,976)	(1,120,900)	(1,347,405)	(337,881)	(55,677)	(506,885)	(1,101,678)
<b>Total other financing sources (uses)</b>	<b>2,738,157</b>	<b>2,599,508</b>	<b>2,254,742</b>	<b>1,281,763</b>	<b>1,279,676</b>	<b>6,254,895</b>	<b>2,477,404</b>	<b>1,632,305</b>	<b>12,551</b>	<b>4,746,729</b>
<b>Net change in fund balances</b>	<b>\$ 181,707</b>	<b>\$ (70,877)</b>	<b>\$ 752,275</b>	<b>\$ (1,244,838)</b>	<b>\$ (4,081,549)</b>	<b>\$ 3,193,516</b>	<b>\$ 1,161,260</b>	<b>\$ 280,628</b>	<b>\$ (2,630,881)</b>	<b>\$ 2,345,921</b>
Debt service as a percentage of noncapital expenditures	3%	3%	1%	3%	4%	2%	0%	0%	0%	0%

Source: Town financial reports

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Transfer Tax</u>	<u>Total</u>
2014	\$ 3,004,848	\$ 619,310	\$ 3,624,158
2013	2,574,536	417,320	2,991,856
2012	2,342,060	512,265	2,854,325
2011	2,024,737	361,336	2,386,073
2010	2,128,117	561,542	2,689,659
2009	1,900,363	669,914	2,570,277
2008	1,743,747	1,051,590	2,795,337
2007	1,138,746	962,133	2,100,879
2006	1,157,148	1,534,963	2,692,111
2005	933,914	1,564,109	2,498,023

**Notes**

1) Property tax, tax rate of .3600 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
2014	\$ 1,000,444,154	\$ 122,005,645	\$ 878,438,509	\$ 0.36000	*
2013	998,111,246	121,725,765	876,385,481	0.31000	*
2012	984,644,010	131,844,907	852,799,103	0.29000	*
2011	974,275,012	121,878,419	852,396,593	0.25260	*
2010	954,894,393	119,274,300	835,620,093	0.25260	*
2009	927,630,793	117,953,900	809,676,893	0.25260	*
2008	839,592,693	122,564,400	717,028,293	0.25260	*
2007	776,456,700	117,085,500	659,371,200	0.17260	*
2006	742,774,544	60,655,900	682,118,644	0.17260	*
2005	329,829,200	51,000	329,778,200	0.31000	*

\* = 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 Rate	Overlapping Governments		
			Kent County	New Castle County	Smyrna School District
2014	0.36000	0.36000	0.30000	0.70060	1.12670
2013	0.31000	0.31000	0.30000	0.70060	1.01190
2012	0.29000	0.29000	0.30000	0.70060	1.01190
2011	0.25260	0.25260	0.30000	0.70180	0.99700
2010	0.25260	0.25260	0.31000	0.70180	1.00260
2009	0.25260	0.25260	0.25000	0.56140	1.18030
2008	0.25260	0.25260	0.25000	0.56140	1.07800
2007	0.17260	0.17260	0.25000	0.47780	1.06300
2006	0.17260	0.17260	0.25000	0.45500	1.02800
2005	0.31000	0.31000	0.25000	0.45500	1.01300

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 Five Years Ago*  
*Unaudited*

Taxpayer	2014			2009*		
	Taxable Assessed Value	Rank	Percentage of total taxable assessed valuation	Taxable Assessed Value	Rank	Percentage of total taxable assessed valuation
Walmart Stores East, LP	\$ 49,683,100	1	5.66%	\$ 49,683,100	1	6.14%
Liborio III, LP	46,515,226	2	5.30%	24,701,000	3	3.05%
Worthington Properties, LLC	19,858,000	4	2.26%	24,701,000	4	3.05%
Smyrna Professional Properties	18,313,200	5	2.08%	19,341,000	7	2.39%
Smyrna Two LLC	14,487,500	3	1.65%	11,808,800	2	1.46%
Glenwood Associates, LLC	11,725,300	6	1.33%	11,720,300	8	1.45%
Brenford holdings, LLC	8,465,860	7	0.96%	-	**	0.00%
Goldsborough Rd Dev LLC	7,023,790	8	0.80%	-	**	0.00%
Gateway North, LP	6,852,500	9	0.78%	-	**	0.00%
Target Investments, L.P.	6,822,700	10	0.78%	-	**	0.00%
<b>Total</b>	<b>\$ 189,747,176</b>		<b>21.60%</b>	<b>\$ 141,955,200</b>		<b>17.53%</b>

Source: Town of Smyrna Assessment Office

\* Town has utilized the earliest available information

\*\* Not in top ten

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

<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Collected Within Fiscal Year of the Levy</u>	<u>Percentage of Levy</u>	<u>Collected in Subsequent Years</u>	<u>Total (1)</u>	<u>Percentage of Levy</u>
2014	\$ 3,167,387	\$ 3,001,773	94.77%	\$ -	\$ 3,001,773	94.77%
2013	2,753,382	2,595,641	94.27%	52,799	2,648,440	96.19%
2012	2,474,313	2,356,151	95.22%	100,481	2,456,632	99.29%
2011	2,157,403	2,052,853	95.15%	95,274	2,148,127	99.57%
2010	2,101,560	2,020,017	96.12%	81,472	2,101,489	100.00%
2009	2,083,419	1,878,779	90.18%	184,526	2,063,305	99.03%
2008	1,832,643	1,744,497	95.19%	68,717	1,813,214	98.94%
2007	1,201,226	1,077,386	89.69%	63,339	1,140,725	94.96%
2006	1,181,378	1,025,465	86.80%	87,696	1,113,161	94.23%
2005	1,022,168	933,914	91.37%	5,658	939,572	91.92%

(1) Amount is net of discounts and penalties.

Source: Town financial reports

**TOWN OF SMYRNA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last ten fiscal years ending December 31,*  
*Unaudited*

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (1)
	Loans	Bonds	Loans	Bonds	Note				
2014	\$ 1,299,628	\$ 2,896,600	\$ 10,378,587	\$ 3,938,400	\$ -	\$ 18,513,215	0.26%	1,634	
2013	409,619	3,025,600	8,161,433	4,109,400	-	15,706,052	0.26%	1,415	
2012	-	3,152,450	6,913,276	4,277,550	-	14,343,276	0.26%	1,331	
2011	-	3,275,000	5,977,177	4,440,000	-	13,692,177	0.28%	1,339	
2010	3,078,626	-	8,179,630	-	-	11,258,256	0.23%	982	
2009	3,190,175	-	7,188,123	-	-	10,378,298	0.21%	940	
2008	3,297,079	-	7,494,976	-	-	10,792,055	0.22%	1,034	
2007	-	-	7,790,770	-	-	7,790,770	0.17%	781	
2006	-	-	2,539,381	-	4,644,000	7,183,381	0.16%	755	
2005	-	-	1,655,139	-	2,000,000	3,655,139	0.09%	406	

(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*

<u>Fiscal Year</u>	<u>Bonds Payable</u>	<u>Loans Payable</u>	<u>Percentage of Loans Payable to Assessed Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2014	\$ 2,896,600	\$ 1,299,628	0.48%	\$ 370
2013	3,025,600	409,619	0.39%	309
2012	3,152,450	-	0.37%	293
2011	3,275,000	-	0.38%	320
2010	-	3,078,626	0.37%	269
2009	-	3,190,175	0.39%	289
2008	-	3,297,079	0.46%	316
2007	-	-	0.00%	-
2006	-	-	0.00%	-
2005	-	-	0.00%	-

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

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

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

Source: Town financial reports

**TOWN OF SMYRNA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
*December 31, 2014*  
*Unaudited*

	<u>General Obligation Debt Outstanding</u>	<u>Estimated Percentage Applicable to Town of Smyrna</u>	<u>Estimated Share of Overlapping Debt</u>
Direct Debt			
Bonds Payable	\$ 2,896,600	100.00%	\$ 2,896,600
Loans Payable	1,299,628	100.00%	1,299,628
Total direct debt	<u>4,196,228</u>		<u>4,196,228</u>
Overlapping debt (1)			
Kent County (2)	4,903,614	0.62%	30,493
New Castle County	161,940,834	5.80%	9,392,568
Smyrna School District	21,678,202	88.19%	19,118,629
Total overlapping debt	<u>188,522,650</u>		<u>28,541,690</u>
Total direct and overlapping debt	<u>\$ 192,718,878</u>		<u>\$ 32,737,918</u>

Note:

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

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

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

Source: Town, County, and District Financial Reports

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit	\$ 39,530	\$ 39,437	\$ 38,376	\$ 38,358	\$ 37,603	\$ 36,435	\$ 32,266	\$ 29,672	\$ 30,695	\$ 14,840
Total net debt applicable to limit	<u>18,513</u>	<u>15,706</u>	<u>14,343</u>	<u>13,692</u>	<u>11,258</u>	<u>10,378</u>	<u>10,792</u>	<u>7,791</u>	<u>7,183</u>	<u>3,655</u>
Legal debt margin	<u>\$ 21,017</u>	<u>\$ 23,731</u>	<u>\$ 24,033</u>	<u>\$ 24,666</u>	<u>\$ 26,345</u>	<u>\$ 26,057</u>	<u>\$ 21,474</u>	<u>\$ 21,881</u>	<u>\$ 23,512</u>	<u>\$ 11,185</u>
Total net debt applicable to the limit as a percentage of debt limit	46.83%	39.83%	37.37%	35.70%	29.94%	28.48%	33.45%	26.26%	23.40%	24.63%
Total taxable assessment	\$ 878,439									
Debt limit percentage (1)	<u>4.50%</u>									
Debt limit	39,530									
Outstanding debt	<u>18,513</u>									
Legal debt margin	<u>\$ 21,017</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 Five Years Ago*  
*Unaudited*

Employer	2014			2009*		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Walmart Distribution Center - Smyrna	700	1	26.00%	700	1	27.10%
Smyrna School District - Smyrna	664	2	24.67%	554	3	21.45%
Delaware Home & Hospital for the Chronically Ill - Smyrna	650	3	24.15%	650	2	25.16%
Eagle Group Metal Masters - Clayton	368	4	13.67%	368	4	14.25%
Hanover Foods - Clayton	213	5	7.91%	213	5	8.25%
Town of Smyrna - Smyrna	97	6	3.60%	98	6	3.79%
<b>Total</b>	<b>2,692</b>		<b>100.00%</b>	<b>2,583</b>		<b>100.00%</b>

\* Earliest information available  
The Town has only listed employers in the Town of Smyrna and the neighboring municipality, Town of Clayton for information that is available.  
Source: Kent Economic Partnership, Inc., 2013 Kent County Major Employers Report, Town Records

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

<u>Fiscal Year</u>	<u>Population of Town (1)</u>	<u>Personal Income - Kent County (2)</u>	<u>Per Capita Personal Income - Kent County (2)</u>	<u>Unemployment Rate - Kent County (3)</u>	<u>School Enrollment (4)</u>
2014	11,330	\$ 6,252,316,000	\$ 36,905	4.60%	5,235
2013	11,100	6,252,316,000	36,905	6.00%	5,173
2012	10,774	6,102,946,000	36,427	7.30%	5,116
2011	10,228	5,884,380,000	35,622	7.20%	4,981
2010	11,463	5,595,315,000	34,344	8.10%	4,853
2009	11,040	5,496,591,000	34,336	7.90%	4,657
2008	10,435	5,279,602,000	33,431	4.70%	4,853
2007	9,975	4,983,349,000	32,366	3.40%	4,460
2006	9,513	4,689,422,000	31,325	3.20%	4,230
2005	9,007	4,400,937,000	30,438	3.50%	3,930

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 2012 personal income and per capita personal income information for both 2013 and 2012, since this information is unavailable from the data source.

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

Function/Department	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government - Administration	16.00	16.00	14.00	14.00	14.00	14.00	15.00	14.00	13.00	16.00
Public Safety - Police	29.00	28.00	30.00	29.00	29.00	29.00	29.00	29.00	27.00	27.00
Public Works	13.00	13.00	13.00	12.00	11.00	11.00	14.00	12.00	11.00	10.00
Planning and Inspection	6.00	6.00	6.00	7.00	7.00	7.00	7.00	6.00	6.00	5.00
Library	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Culture and Recreation - Parks	3.00	2.00	1.00	1.00	1.00	3.00	3.00	2.00	2.00	2.00
<b>General Fund Total</b>	<u>69.00</u>	<u>67.00</u>	<u>66.00</u>	<u>65.00</u>	<u>64.00</u>	<u>66.00</u>	<u>70.00</u>	<u>65.00</u>	<u>61.00</u>	<u>62.00</u>
Public Utilities	8.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00	8.00	9.00
<b>Electric Fund Total</b>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>8.00</u>	<u>9.00</u>
Public Utilities	3.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00
<b>Water and Sewer Fund Total</b>	<u>3.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
<b>Total Staff</b>	<u>80.00</u>	<u>79.00</u>	<u>78.00</u>	<u>77.00</u>	<u>77.00</u>	<u>79.00</u>	<u>82.00</u>	<u>77.00</u>	<u>72.00</u>	<u>74.00</u>

Source: Town Financial Records

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

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Public Safety</b>										
Calls for service	16,810	19,743	21,079	21,383	16,952	20,087	22,099	22,755	20,270	19,405
Criminal arrests	1,065	712	523	1,572	2,318	1,700	1,788	1,545	1,449	1,543
DUI arrests	81	98	110	96	70	122	140	*	*	*
Traffic warnings	1,321	2,447	2,433	2,503	1,707	2,012	2,107	*	*	*
Traffic arrests	2,670	3,747	4,240	3,084	3,084	3,286	4,955	3,237	2,751	2,130
<b>Planning and Inspection</b>										
Total fees collected for construction (1)	900,689	704,287	695,521	490,514	1,018,701	1,377,629	1,766,180	2,402,583	1,439,840	1,462,018
Construction inspections (2)	820	801	728	703	1,156	1,469	1,751	1,861	1,741	2,293
Building permits issued	272	312	324	341	497	582	610	581	589	687
<b>Smyrna Public Library</b>										
Number of registered borrowers	7,687	7,723	8,303	7,617	17,832	9,376	9,376	7,335	14,525	11,231
Attendance per year	84,713	87,432	89,411	82,987	81,722	82,127	78,895	69,731	61,071	53,187
Actual circulation	95,599	90,183	90,148	73,823	66,111	58,934	38,415	38,468	47,474	32,165
Number of books	21,824	23,843	23,751	21,566	26,254	22,149	20,246	22,132	22,838	21,486
<b>Water</b>										
Gallons billed	274,956,000	274,731,000	269,930,000	288,823,000	321,210,219	283,572,474	273,431,231	256,052,000	264,147,000	229,941,000
Connections	4,755	4,671	4,305	3,789	3,789	3,789	3,789	3,789	3,789	3,500
<b>Electric</b>										
Usage (kwh)	100,071,045	100,567,144	99,707,000	98,052,000	98,762,000	90,195,000	88,591,000	87,693,000	81,690,000	82,611,000

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.

Decrease in 2013 is due to the opening of the new Dover Public Library.

The significant reduction in registered borrowers from 2006 to 2007 was due to the library information system getting purged by the state due to non-activity in member account.

\* Information not available.

**TOWN OF SMYRNA**  
CAPITAL ASSET INFORMATION

<u>TOWN SERVICE BUILDINGS</u>	<u>ACQUISITION DATE</u>
Town of Smyrna Administration Building 27 South Market Street Plaza Smyrna DE, 19977	January, 1976
Town of Smyrna Police Department 325 West Glenwood Avenue Smyrna DE, 19977	January, 1988
Town of Smyrna Public Works Department 220 Artisan Drive Smyrna DE, 19977	September, 2009
Town of Smyrna Public Library 107 South Main Street Smyrna DE, 19977	January, 1870

Source: Town records

## SINGLE AUDIT SECTION



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

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May 13, 2015

To the Honorable Mayor and Town Council  
Town of Smyrna  
Smyrna, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Smyrna, Delaware as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Smyrna (the "Town"), and have issued our report thereon dated May 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

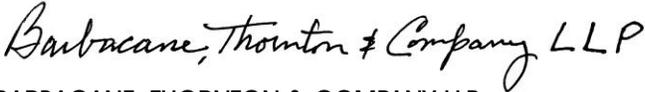
To the Honorable Mayor and Town Council  
Town of Smyrna

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S  
REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133

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May 13, 2015

To the Honorable Mayor and Town Council  
Town of Smyrna  
Smyrna, Delaware

Report on Compliance for Each Major Federal Program

We have audited the Town of Smyrna's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town of Smyrna's major federal programs for the year ended December 31, 2014. The Town of Smyrna's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Smyrna's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Smyrna's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the Town's major federal programs. However, our audit does not provide a legal determination of the Town of Smyrna's compliance.

To the Honorable Mayor and Town Council  
Town of Smyrna

### Opinion on Each Major Federal Program

In our opinion, the Town of Smyrna complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

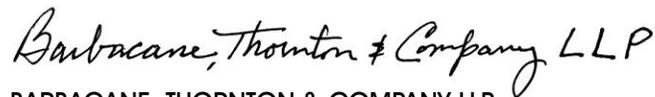
### Report on Internal Control Over Compliance

Management of the Town of Smyrna is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Smyrna's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Smyrna's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
BARBACANE, THORNTON & COMPANY LLP

**SCHEDULE OF  
FINDINGS AND RECOMMENDATIONS**

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

Yes  No

Identification of major programs:

CFDA Number(s)  
66.458  
66.468

Name of Federal Program or Cluster  
Capitalization Grants for Clean Water State Revolving Funds  
Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes  No

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (cont'd)

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

**13-1 Material Prior Period Adjustment**

Condition

During our prior year audit, we noted that the Town recorded a prior period adjustment that was material to the financial statements dated as of December 31, 2013.

Criteria

In accordance with accounting principles generally accepted in the United States of America, receivables recorded in the financial statements represent valid claims against customers for charges associated with the utility services provided by the Town. Management should also assess the collectability of the receivables balances and make appropriate estimates of uncollectable accounts.

Effect

The Town recognized a material decrease in the beginning balance of the business-type activities, electric fund, and water and sewer fund net position for the year ended December 31, 2013.

Recommendation

We recommended that the Finance Department be responsible for the timely reconciliation of the receivable accounts, including review and valuation of the collectability of the account balances. The Town should also review the aging for past-due accounts and provide an additional appropriate provision for uncollectible accounts when there is an increase in past due accounts in relation to total customer receivables.

In addition, the Town should develop a policy for the use and recording of utilities used by the various departments in order to capture the applicable departmental costs.

Status

During our current year audit, we noted that the Finance Department now has a process to reconcile all receivable accounts, and has reviewed the valuation and collectability of the account balances. In particular, management has written off outstanding receivables more than three years old and has contracted with a collection agency to improve its collections.

System utility costs are also being reflected by each department as they are incurred and are being properly recorded in the Town's accounting software. Therefore, this finding is no longer applicable.

TOWN OF SMYRNA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (cont'd)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**TOWN OF SMYRNA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 01/01/14	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 12/31/14
<u>U.S. Department of Agriculture</u>										
Water and Waste Disposal Systems for Rural Communities	D	10.760	LN #3	01/01/14 - 12/31/14	\$ 1,190,000	\$ -	\$ 900,099	\$ 54,687	\$ 54,687	\$ 954,786
Community Facilities Loans and Grants	D	10.766	N/A	01/01/14 - 12/31/14	4,000,000	-	409,619	890,009	890,009	1,299,628
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>					5,190,000	-	1,309,718	944,696	944,696	2,254,414
<u>U.S. Department of Justice</u>										
Bureau of Justice Assistance	D	16.607	N/A	01/01/14 - 12/31/14	747	747	-	747	747	-
Bulletproof Vest Partnership Program										
Criminal Division										
Equitable Sharing Project	D	16.922	13-DEA575843	01/01/14 - 12/31/14	19,600	19,600	-	19,600	19,600	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>					20,347	20,347	-	20,347	20,347	-
<u>U.S. Environmental Protection Agency</u>										
Passed through Delaware Department of Natural Resources and Environmental Control	I	66.458	DNREC	01/01/14 - 12/31/14	5,975,000	775,485	229,129	1,550,579	1,550,579	1,004,223
Capitalization Grants for Clean Water State Revolving Funds	I	66.468	3012CS	01/01/14 - 12/31/14	925,020	150,500	8,778	726,540	726,540	584,818
Capitalization Grants for Drinking Water State Revolving Funds	I	66.468	LN 210.67	01/01/14 - 12/31/14	416,724	-	-	47,198	47,198	47,198
Capitalization Grants for Drinking Water State Revolving Funds	I				1,341,744	150,500	8,778	773,738	773,738	632,016
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>					7,316,744	925,985	237,907	2,324,317	2,324,317	1,636,239
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<b>\$12,527,091</b>	<b>\$ 946,332</b>	<b>\$ 1,547,625</b>	<b>\$ 3,289,360</b>	<b>\$ 3,289,360</b>	<b>\$ 3,890,653</b>

Source Codes

- I - Indirect Funding
- D - Direct Funding

TOWN OF SMYRNA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

The Town uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE B FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

