

BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**TOWN OF SMYRNA  
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*Independent Auditors' Report*

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

***Qualified and Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smyrna (Town), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Qualified Opinions on the Governmental Activities, General Fund, Capital Improvement Fund, American Rescue Plan Act (ARPA) Fund, the Electric Fund and the Aggregate Remaining Fund Information.***

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions sections of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, General Fund, Capital Improvement Fund, ARPA Fund, Electric Fund, and the Aggregate Remaining Fund Information of the Town of Smyrna, as of December 31, 2022, the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions on, Business-type Activities, and the Water and Sewer Fund***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the Water and Sewer Fund of the Town of Smyrna, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Town of Smyrna, and to meet

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

our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

***Matter Giving Rise to the Qualified Opinion on the Governmental Activities, General Fund, Capital Improvement Fund, ARPA Fund, Electric Fund, and Aggregate Remaining Fund Information.***

Management was not able to identify the correct fund and accounts in which to post a material amount of cash receipts totaling \$135,571, reported in the General Fund as Deferred Revenue, as of December 31, 2022. We were unable to obtain sufficient appropriate audit evidence about the identity of these cash receipts because of the absence of adequate related financial information. Consequently, we were unable to determine whether any adjustments to the assets, fund balances, net positions, and revenues of the Governmental Activities, General Fund, Capital Improvement Fund, ARPA Fund, Electric Fund, and the Aggregate Remaining Fund Information were necessary.

***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Smyrna's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Smyrna's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Smyrna's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Report on Summarized Comparative Information***

We have previously audited the Town of Smyrna's 2021 financial statements, and our report dated November 5, 2021, expressed an unmodified opinion on the financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Other Matters***

##### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 16 and the schedules on pages 103 through 110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

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

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. See the paragraph *Matter Giving Rise to the Qualified Opinion on the Governmental Activities, General Fund, Capital Improvement Fund, ARPA Fund and Electric Fund, and Aggregate Remaining Fund Information.*

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Belfint, Lyons & Shuman, P.A.*

June 14, 2024

Wilmington, Delaware

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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, 2022. 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 58 percent of total revenues, and program revenues accounted for 42 percent of total revenues (prior year, 62 percent, and 38 percent, respectively). Total revenues increased primarily due to an increase in property taxes, new development completed and added to the tax rolls during the year ended December 31, 2022.
- In the governmental activities, current total expenses decreased from \$15,030,960 in 2021 to \$12,524,716 in 2022. The decrease was primarily due to current year costs related to other post-employment benefits. In addition, the current year costs related to its pension plans increased.
- Total revenues in the Town's general fund decreased from \$10,252,782 in 2021 to \$9,162,525 in 2022. This represents approximately an eleven percent decrease. Total revenues decrease primarily due to the Trash Fund being separated from the General in 2022.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,252,669, which is an decrease from the prior year balance of 4,227,926. This increase is primarily due to capital projects.
- As of the end of the current fiscal year, the Town's business-type activities reported a net position of \$42,479,865 an increase of \$3,702,345, as compared to the prior year. The current year increase in net position can be attributed primarily due to the Town's Charges for Service Revenue. Increase in revenue is attributable to the Trash fund being moved to the business-type activities.
- The Town implemented GASB Statement No. 68 in 2015, "Accounting and Financial Reporting for Pensions," which requires state and local governments whose employees are provided with defined benefit pensions to account for and report the annual pension cost and obligations. The Town reported a net pension liability and net pension asset totaling \$10,046,504 and \$211,536, respectively, on December 31, 2022, and \$11,721,618 and \$2,792,789, respectively, on December 31, 2021, respectively.
- The Town implemented GASB Statement No. 75 in 2018, "Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions", which requires state and local governments whose employees are provided with other post-employment benefits (OPEB) to account for and report the annual OPEB cost and obligations. The Town reported a net OPEB liability totaling \$10,515,000 on December 31, 2022, \$13,048,000 and December 31, 2021, respectively.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**Entity-wide Financial Statements.** The entity-wide *financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. There are two entity-wide statements presented in this report.

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

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

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

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

The entity-wide financial statements can be found on pages 17 to 19 of this report.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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

***Governmental Funds:*** Most of the Town's basic services are included in Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-wide financial statements, Governmental Fund's 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, Capital Improvement Fund, and American Reinvestment Plan Act Fund, all of which are major funds.

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

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

The basic Governmental Fund financial statements can be found on pages 21 to 24 of this report.

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

Proprietary Funds provide the same type of information as the entity-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the water and sewer operations and for the electric distribution operation, both of which are major funds of the Town. The Trash Fund and RDF are considered a non-major funds.

The basic Proprietary Fund financial statements can be found on pages 26 to 31 of this report.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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

The basic Fiduciary Fund financial statements can be found on pages 32 and 33 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 34 to 102 of this report.

**Required Supplementary Information.** The required supplementary information presents information detailing the net pension liability, investment returns, and related ratios and other information about the funded status of each of the pension plans the Town participates in. In addition, it provides information regarding the funded status and contributions of the Town's other post-employment benefit plans. The required supplementary information can be found on pages 103 to 110 of this report.

**Other Information.** The combining statements referred to earlier in connection with the Nonmajor Governmental Funds and the Combining Fiduciary Funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 114 to 118 of this report.

**ENTITY-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$45,302,842 at the close of the most recent fiscal year. The table below summarizes the net position of the Town on December 31, 2022, and 2021.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Assets:</b>						
Current and other assets	\$ 7,916,985	\$ 9,142,872	\$ 12,620,709	\$ 7,882,765	\$ 20,537,694	\$ 17,025,637
Capital assets	28,987,170	30,403,415	51,354,868	52,127,969	80,342,038	82,531,384
<b>Total Assets</b>	<b>36,904,155</b>	<b>39,546,287</b>	<b>63,975,577</b>	<b>60,010,734</b>	<b>100,879,732</b>	<b>99,557,021</b>
<b>Deferred outflows of Resources</b>	<b>3,271,181</b>	<b>2,673,470</b>	<b>1,115,951</b>	<b>418,259</b>	<b>4,387,132</b>	<b>3,091,729</b>
<b>Liabilities:</b>						
Non-current liabilities	25,040,154	29,530,256	16,536,518	17,647,172	41,576,672	47,177,428
Other liabilities	6,000,298	5,258,932	4,769,149	3,121,059	10,769,447	8,379,991
<b>Total Liabilities</b>	<b>31,040,452</b>	<b>34,789,188</b>	<b>21,305,667</b>	<b>20,768,231</b>	<b>52,346,119</b>	<b>55,557,419</b>
<b>Deferred Inflows of Resources</b>	<b>6,311,907</b>	<b>3,469,895</b>	<b>1,305,996</b>	<b>883,242</b>	<b>7,617,903</b>	<b>4,353,137</b>
<b>Net position:</b>						
Net investment in capital assets	21,071,086	20,639,523	35,783,650	35,696,462	56,854,736	56,335,985
Restricted	1,717,166	1,365,460	336,298	300,000	2,053,464	1,665,460
Unrestricted (deficit)	(19,965,275)	(18,044,309)	6,359,917	2,781,058	(13,605,358)	(15,263,251)
<b>TOTAL NET POSITION</b>	<b>\$ 2,822,977</b>	<b>\$ 3,960,674</b>	<b>\$ 42,479,865</b>	<b>\$ 38,777,520</b>	<b>\$ 45,302,842</b>	<b>\$ 42,738,194</b>

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

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

The Town's net position increased by \$2,564,648 during the current year. This amount includes a \$125,505 prior period adjustment, see Note 23.

- **Governmental Activities.** Governmental activities decreased the Town's net position by \$(1,137,697). This is primarily due to a decrease in unrestricted deficit.
- **Business-type Activities.** Business-type activities increased the Town's net position by \$3,702,345. The current year increase was due to an increase in the unrestricted balance.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

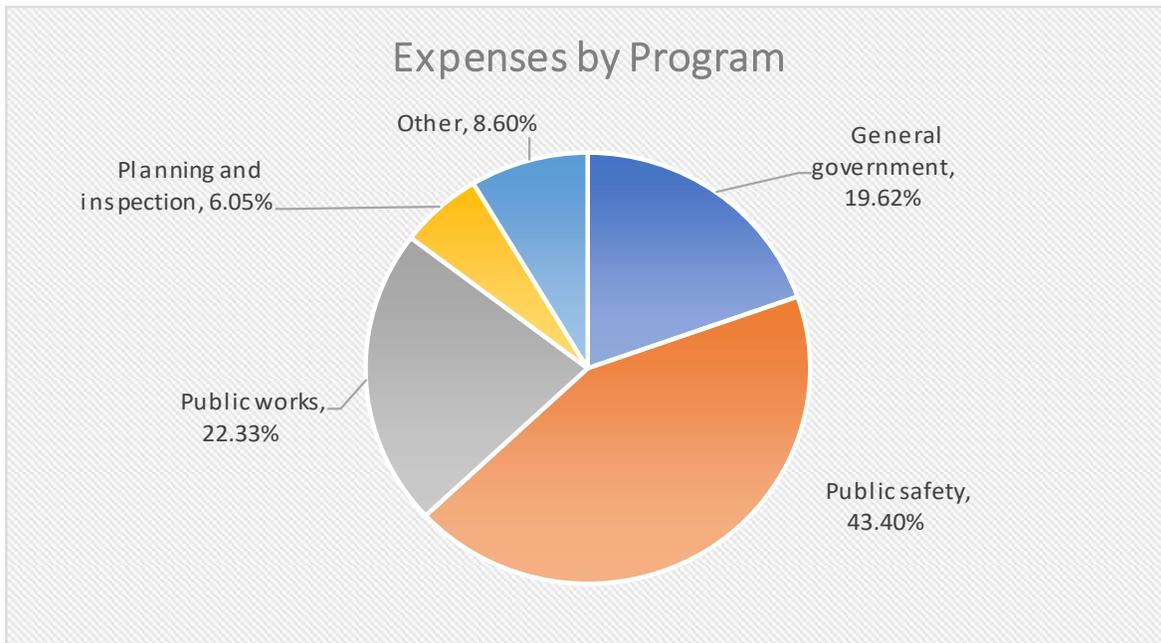
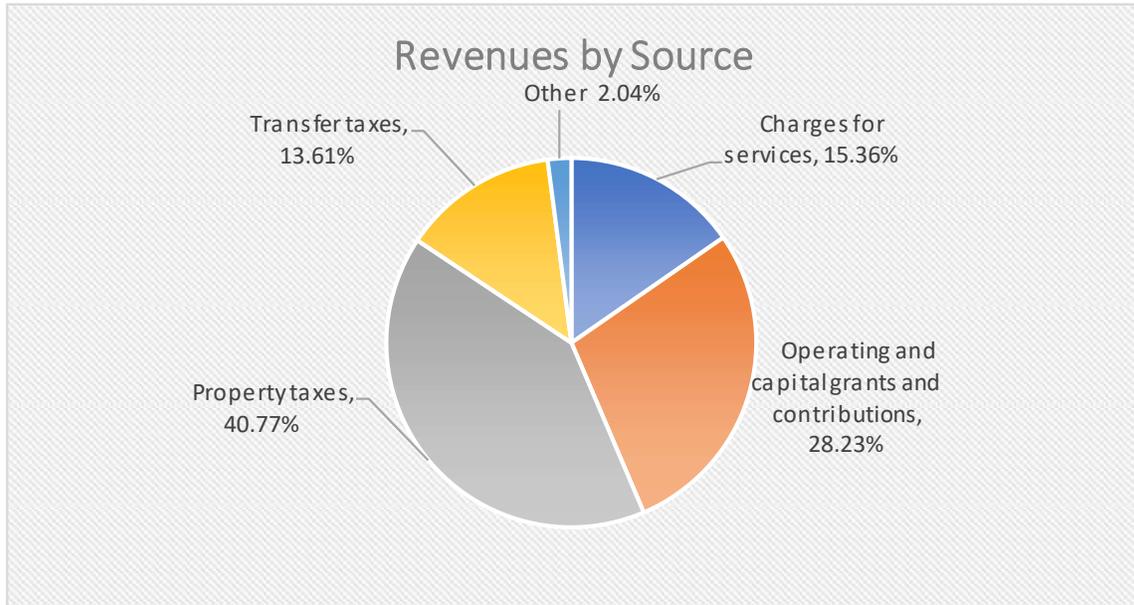
Changes in the net position of the Town are highlighted in the table presented below.

**STATEMENT OF CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,659,119	\$ 3,067,440	\$ 23,803,293	\$ 20,165,304	\$ 25,462,412	\$ 23,232,744
Operating grants and contributions	1,376,446	1,119,842	-	-	1,376,446	1,119,842
Capital grants and contributions	1,671,818	876,487	530,019	821,905	2,201,837	1,698,392
General revenues:						
Real estate taxes	4,403,019	4,286,125	-	-	4,403,019	4,286,125
Real estate transfer taxes	1,469,351	2,026,000	-	-	1,469,351	2,026,000
Franchise fees	242,155	243,363	-	-	242,155	243,363
Investment earnings	(177,631)	69,958	-	(25)	(177,631)	69,933
Gain on sale of capital assets	155,455	31,279	-	-	155,455	31,279
Other	-	50,035	-	-	-	50,035
<b>TOTAL REVENUES</b>	<b>10,799,732</b>	<b>11,770,529</b>	<b>24,333,312</b>	<b>20,987,184</b>	<b>35,133,044</b>	<b>32,757,713</b>
<b>EXPENSES</b>						
General government	2,457,655	2,373,496	-	-	2,457,655	2,373,496
Public safety	5,435,425	6,946,044	-	-	5,435,425	6,946,044
Public works	2,796,357	4,120,286	-	-	2,796,357	4,120,286
Planning and inspection	758,370	801,854	-	-	758,370	801,854
Library	329,724	303,039	-	-	329,724	303,039
Culture and recreation	576,303	345,148	-	-	576,303	345,148
Interest on long-term debt	170,882	141,093	-	-	170,882	141,093
Electric	-	-	13,985,744	12,765,157	13,985,744	12,765,157
Water/Sewer	-	-	4,682,878	4,773,972	4,682,878	4,773,972
Smyrna slum clearance RDF	-	-	1,500,563	24,590	1,500,563	24,590
<b>TOTAL EXPENSES</b>	<b>12,524,716</b>	<b>15,030,960</b>	<b>20,169,185</b>	<b>17,563,719</b>	<b>32,693,901</b>	<b>32,594,679</b>
Change in net position before transfers	(1,724,984)	(3,260,431)	4,164,127	3,423,465	2,439,143	163,034
Transfers	461,782	1,634,224	(461,782)	(1,634,224)	-	-
<b>CHANGE IN NET POSITION</b>	<b>(1,263,202)</b>	<b>(1,626,207)</b>	<b>3,702,345</b>	<b>1,789,241</b>	<b>2,439,143</b>	<b>163,034</b>
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>	<b>3,960,674</b>	<b>5,586,881</b>	<b>38,777,520</b>	<b>36,988,279</b>	<b>42,738,194</b>	<b>42,575,160</b>
<b>PRIOR PERIOD ADJUSTMENT - NOTE 23</b>	<b>125,505</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,505</b>	<b>-</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 2,822,977</b>	<b>\$ 3,960,674</b>	<b>\$ 42,479,865</b>	<b>\$ 38,777,520</b>	<b>\$ 45,302,842</b>	<b>\$ 42,738,194</b>

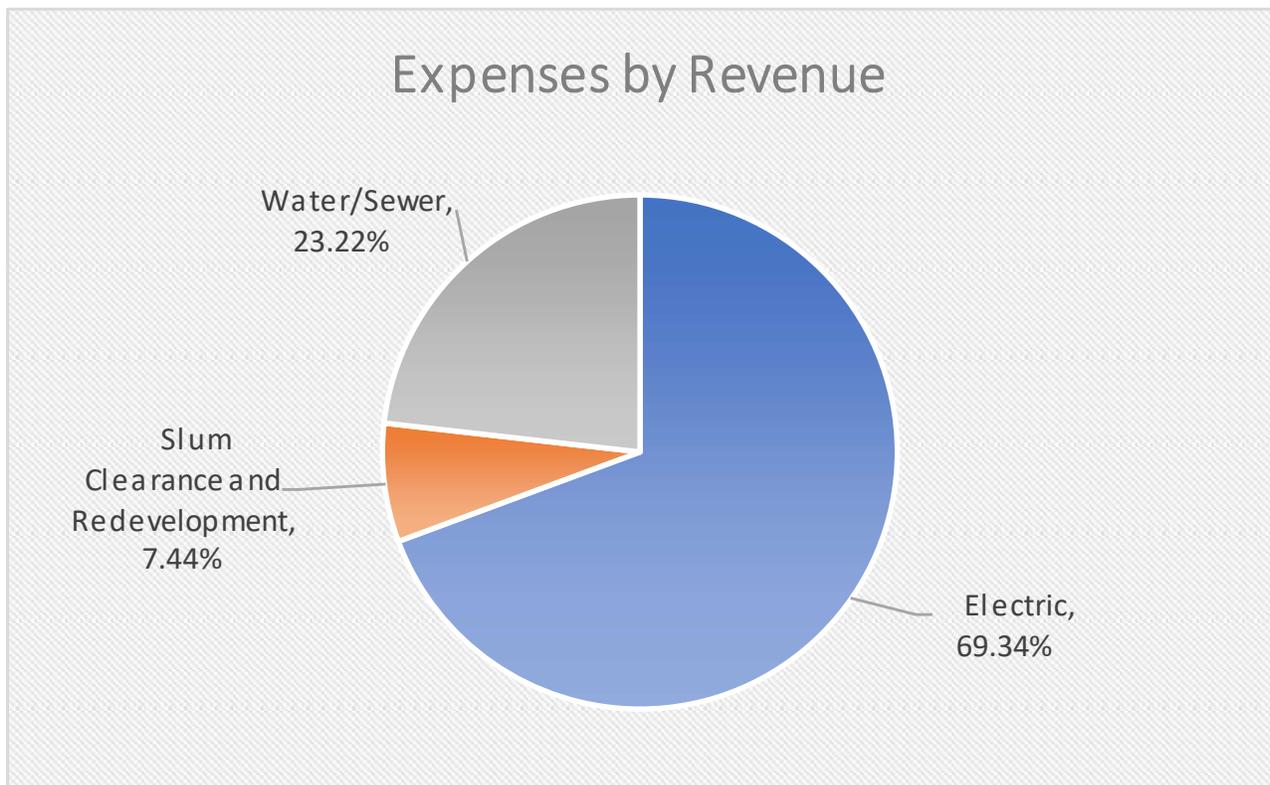
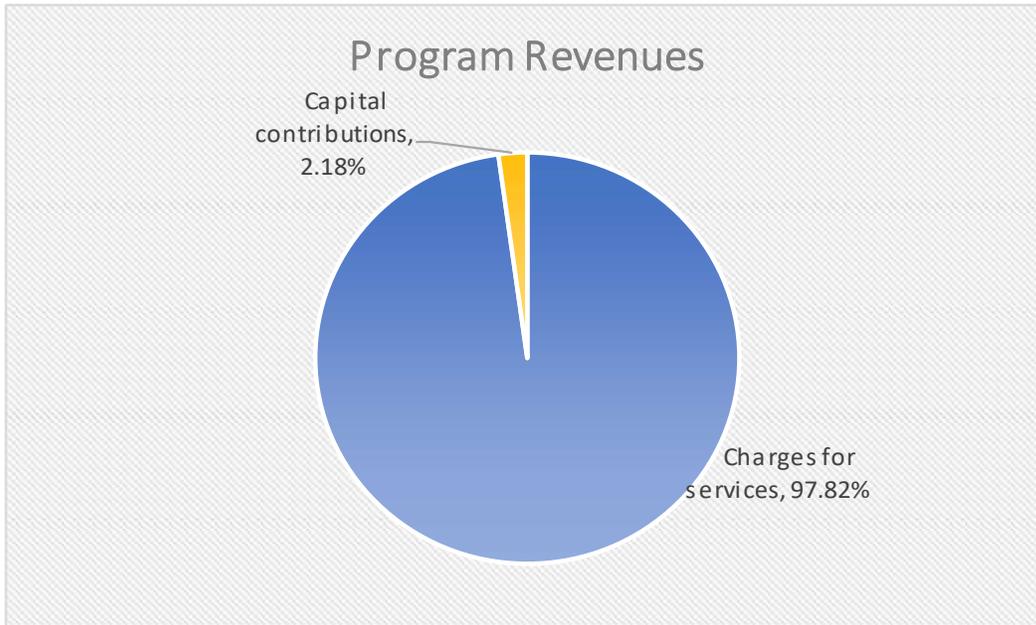
**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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  
DECEMBER 31, 2022**

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



**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**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. *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 Fiscal year, the Town's Governmental Funds reported combined ending fund balances of \$2,252,669. The primary component of this figure is the fund balance of the General Fund at \$1,823,398, of which \$1,751,469 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 \$1,823,398, of which \$0 is committed to the Town's budget reserve.

The fund balance of the Town's General Fund decreased significantly by \$1,017,087 during the current fiscal year. This decrease represents the excess of total transfers in and operating revenue over operating expenses for the year ending December 31, 2022.

The fund balance of the Town's Capital Improvement Fund decreased by \$1,227,539 during the current fiscal year. This decrease is primarily due to an increase in capital outlays.

***Proprietary Funds.*** The Town's Proprietary Funds provide the same type of information found in the entity-wide financial statements but in more detail. The unrestricted net position of the Electric Fund, Water and Sewer Fund, Trash Fund and the RDF at the end of the year amounted to \$6,359,917. The change in net position for the Electric Fund was an increase of \$1,214,230, an increase in the Water and Sewer Fund of \$2,287,118, and a increase in the non-major funds of \$200,997. 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 25. A summary of variations between budget amounts and actual results is as follows:

- Actual revenues exceeded budgeted revenues by \$1,918,825 primarily due to receiving more in property taxes, transfer taxes, special assessment impact fees, and intergovernmental revenues and license fees and permits than was anticipated and budgeted.
- Actual expenditures were \$2,117,393 under budget primarily due to Public Safety, Public Works and Planning & Inspections spending less than their respective budgets.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**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, 2022, amounts to \$78,863,643 (net of accumulated depreciation). The following table shows the breakdown of this figure.

	<b>CAPITAL ASSETS</b>					
	<b>Governmental Activities</b>		<b>(Net of Depreciation) Business-Type Activities</b>		<b>Totals</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Land	\$ 2,010,323.00	\$ 2,010,323.00	\$ 685,957.00	\$ 685,957.00	\$ 2,696,280.00	\$ 2,696,280.00
Construction-in-progress	968,192	89,575	2,052,246	721,488	3,020,438	811,063
Land improvements	271,274	267,084	-	-	271,274	267,084
Buildings and improvements	8,937,266	9,080,132	1,893,148	1,954,642	10,830,414	11,034,774
Infrastructure	13,185,462	14,088,685	45,736,584	47,446,403	58,922,046	61,535,088
Machinery and equipment	2,188,363	2,231,944	895,676	1,042,431	3,084,039	3,274,375
<b>TOTAL</b>	<b>\$ 27,560,880</b>	<b>\$ 27,767,743</b>	<b>\$ 51,263,611</b>	<b>\$ 51,850,921</b>	<b>\$ 78,824,491</b>	<b>\$ 79,618,664</b>

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

Construction in progress totaling \$3,020,438

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

- General electrical installation infrastructure put in service in 2022 costs due to continued growth in Smyrna totaled \$65,742.
- Water/Sewer installation infrastructure put in service in 2022 costs due to continued growth in Smyrna totaled \$181,547.

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

	<b>OUTSTANDING DEBT</b>	
	<b>Bonds and Loans Payable</b>	
	<b>2022</b>	<b>2021</b>
Governmental activities	\$ 6,011,161	\$ 6,343,329
Business-type activities	15,215,267	15,875,556
<b>TOTAL</b>	<b>\$ 21,226,428</b>	<b>\$ 22,218,885</b>

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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

The current legal long-term debt limit for the Town cannot exceed 4.5 percent of the total assessed valuation of all taxable property in the Town. This amounts to \$52,700,000 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 2023 budget in December 2022. This General Fund budget totaled \$8,142,974 in revenues and \$15,323,443 in expenditures. The difference between budgeted revenues and expenditures will be subsidized through operating transfers from the proprietary funds. This budget represents an increase in budgeted revenues of two percent and an increase in budgeted expenditures of five percent. Property tax rates for 2023 will increase to \$0.4700 cents per \$100 of assessed value. The Electric, Water and Sewer Fund user fee rates have been increased in 2023.
- The majority of the Town's city limits are in Kent County, whose unemployment rate for the County was reported at 4.1% in December 2022. The State's unemployment rate was reported at 4.5%.
- The Town's total population in December 2022 is currently estimated at 13,277, an increase from the 2020 census, which placed the Town's total population at 12,883.

**TOWN OF SMYRNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**REQUESTS FOR INFORMATION**

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

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**  
**(With Summarized Comparative Data for December 31, 2021)**

	Governmental	Business-Type	Totals	
	Activities	Activities	2022	2021
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 6,969,391	\$ 3,406,152	\$ 10,375,543	\$ 7,355,948
Investments	3,429,772	7,388	3,437,160	3,538,721
Taxes receivable	154,287	-	154,287	456,501
Accounts receivable, net	540,453	3,910,614	4,451,067	3,542,321
Lease receivable	66,378	-	66,378	-
Loans receivable	-	36,155	36,155	36,155
Grants receivable	30,000	-	30,000	30,000
Due to / due from balance	(3,324,514)	3,324,514	-	-
Inventory	29,946	970,283	1,000,229	993,297
Prepaid expenses	21,272	-	21,272	141,116
<b>Restricted Assets:</b>				
Meter deposits	-	965,603	965,603	931,578
<b>Total Current Assets</b>	<b>7,916,985</b>	<b>12,620,709</b>	<b>20,537,694</b>	<b>17,025,637</b>
<b>Noncurrent Assets:</b>				
Lease receivable	1,222,238	83,773	1,306,011	119,931
Net pension asset	204,052	7,484	211,536	2,792,789
Capital assets, net:				
Land	2,010,323	685,957	2,696,280	2,696,280
Construction-in-progress	968,192	2,052,246	3,020,438	811,063
Land improvements	271,274	-	271,274	267,084
Buildings and improvements	8,937,266	1,893,148	10,830,414	11,034,774
Infrastructure	13,185,462	45,736,584	58,922,046	61,535,088
Machinery and equipment	2,188,363	895,676	3,084,039	3,274,375
<b>Total Noncurrent Assets</b>	<b>28,987,170</b>	<b>51,354,868</b>	<b>80,342,038</b>	<b>82,531,384</b>
<b>TOTAL ASSETS</b>	<b>36,904,155</b>	<b>63,975,577</b>	<b>100,879,732</b>	<b>99,557,021</b>

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

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION - CONTINUED**  
**DECEMBER 31, 2022**  
(With Summarized Comparative Data for December 31, 2021)

	Governmental Activities	Business-Type Activities	Totals	
			2022	2021
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	\$ 2,159,023	\$ 991,228	\$ 3,150,251	\$ 1,648,701
Deferred outflows - OPEB	1,112,158	124,723	1,236,881	1,443,028
<b>Total Deferred Outflows of Resources</b>	<b>3,271,181</b>	<b>1,115,951</b>	<b>4,387,132</b>	<b>3,091,729</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
	<b>\$ 40,175,336</b>	<b>\$ 65,091,528</b>	<b>\$ 105,266,864</b>	<b>\$ 102,648,750</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 794,041	\$ 2,019,367	\$ 2,813,408	\$ 2,648,111
Accrued salaries and benefits	182,299	69,272	251,571	198,729
Accrued interest	45,605	70,371	115,976	94,461
Developer deposits	16,836	336,940	353,776	88,948
Unearned revenue	4,327,897	-	4,327,897	2,695,180
Current portion of bonds payable	346,168	149,874	496,042	476,042
Current portion of loans payable	-	1,069,961	1,069,961	809,224
Current portion of leases payable	203,606	67,698	271,304	352,906
Accrued compensated absences	83,846	20,063	103,909	84,812
<b>Current Liabilities Payable from Restricted Assets:</b>				
Meter deposits	-	965,603	965,603	931,578
<b>Total Current Liabilities</b>	<b>6,000,298</b>	<b>4,769,149</b>	<b>10,769,447</b>	<b>8,379,991</b>
<b>Noncurrent Liabilities:</b>				
Portions due or payable after one year				
Accrued compensated absences	748,927	186,249	935,176	763,303
Leases payable	275,027	144,540	419,567	710,888
Bonds payable	5,664,993	2,462,721	8,127,714	8,623,756
Loans payable	-	11,532,711	11,532,711	12,309,863
Total OPEB liability	9,522,894	992,106	10,515,000	13,048,000
Net pension liability	8,828,313	1,218,191	10,046,504	11,721,618
<b>Total Noncurrent Liabilities</b>	<b>25,040,154</b>	<b>16,536,518</b>	<b>41,576,672</b>	<b>47,177,428</b>
<b>TOTAL LIABILITIES</b>	<b>31,040,452</b>	<b>21,305,667</b>	<b>52,346,119</b>	<b>55,557,419</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pension	2,216,346	701,698	2,918,044	3,763,932
Deferred inflows - Lease receivable	1,262,030	-	1,262,030	-
Deferred inflows - OPEB	2,833,531	604,298	3,437,829	589,205
<b>Total Deferred Inflows of Resources</b>	<b>6,311,907</b>	<b>1,305,996</b>	<b>7,617,903</b>	<b>4,353,137</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>37,352,359</b>	<b>22,611,663</b>	<b>59,964,022</b>	<b>59,910,556</b>

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

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION - CONTINUED**  
**DECEMBER 31, 2022**  
**(With Summarized Comparative Data for December 31, 2021)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	
			<b>2022</b>	<b>2021</b>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 21,071,086	\$ 35,783,650	\$ 56,854,736	\$ 56,335,985
Restricted for police	47,995	-	47,995	105,116
Restricted for Library	137,500	-	137,500	-
Restricted for public works	1,530,024	-	1,530,024	1,260,344
Restricted for federal program	1,647	-	1,647	444
Restricted for rural economic development	-	336,298	336,298	300,000
Unrestricted (deficit)	(19,965,275)	6,359,917	(13,605,358)	(15,263,695)
<b>TOTAL NET POSITION</b>	<b>2,822,977</b>	<b>42,479,865</b>	<b>45,302,842</b>	<b>42,738,194</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 40,175,336</b>	<b>\$ 65,091,528</b>	<b>\$ 105,266,864</b>	<b>\$ 102,648,750</b>

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



**TOWN OF SMYRNA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

December 31, 2022

(With Summarized Comparative Data for the Year Ended December 31, 2021)

	Major Funds			Nonmajor Governmental Funds	Totals	
	General	Capital Improvement Fund	ARPA Fund		2022	2021
<b>ASSETS</b>						
Cash and cash equivalents	\$ 117,863	\$ -	\$ 5,835,391	\$ 1,016,137	\$ 6,969,391	\$ 4,442,070
Investments	2,418,803	492,011	-	518,958	3,429,772	3,531,228
Taxes receivable	154,287	-	-	-	154,287	456,501
Accounts receivable	347,236	-	-	193,217	540,453	515,617
Grants receivable	-	30,000	-	-	30,000	30,000
Prepaid items	21,272	-	-	-	21,272	141,116
Inventory	29,946	-	-	-	29,946	26,340
Lease receivable	1,288,616	-	-	-	1,288,616	-
<b>TOTAL ASSETS</b>	<b>\$ 4,378,023</b>	<b>\$ 522,011</b>	<b>\$ 5,835,391</b>	<b>\$ 1,728,312</b>	<b>\$ 12,463,737</b>	<b>\$ 9,142,872</b>
<b>LIABILITIES:</b>						
Accounts payable	\$ 605,304	\$ 155,521	\$ 300	\$ 32,916	\$ 794,041	\$ 1,678,986
Accrued salaries and benefits	182,299	-	-	-	182,299	143,227
Due to other funds	-	1,486,885	1,837,629	-	3,324,514	-
Unearned revenue	332,082	-	3,995,815	-	4,327,897	2,695,181
Developer deposits	16,836	-	-	-	16,836	80
<b>TOTAL LIABILITIES</b>	<b>\$ 1,136,521</b>	<b>\$ 1,642,406</b>	<b>\$ 5,833,744</b>	<b>\$ 32,916</b>	<b>\$ 8,645,587</b>	<b>\$ 4,517,474</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Leases	\$ 1,262,030	\$ -	\$ -	\$ -	\$ 1,262,030	\$ -
Unavailable revenue	156,074	30,000	-	117,377	303,451	397,472
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 1,418,104</b>	<b>\$ 30,000</b>	<b>\$ -</b>	<b>\$ 117,377</b>	<b>\$ 1,565,481</b>	<b>\$ 397,472</b>
<b>FUND BALANCES</b>						
Nonspendable	\$ 169,857	\$ -	\$ -	\$ -	\$ 169,857	\$ 167,456
Restricted for police	-	-	-	47,995	47,995	49,509
Restricted for library	137,500	-	-	-	137,500	-
Restricted for public works	-	-	-	1,530,024	1,530,024	1,260,344
Restricted for federal program	-	-	1,647	-	1,647	444
Committed to budget reserve	-	-	-	-	-	709,670
Committed to capital projects	1,751,469	-	-	-	1,751,469	2,040,503
Unassigned (Deficit)	(235,428)	(1,150,395)	-	-	(1,385,823)	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,823,398</b>	<b>\$ (1,150,395)</b>	<b>\$ 1,647</b>	<b>\$ 1,578,019</b>	<b>\$ 2,252,669</b>	<b>\$ 4,227,926</b>

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

**TOWN OF SMYRNA**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		<b>\$ 2,252,669</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		27,560,880
Some of the Town's assets are not available to pay for current expenditures, and therefore, are not reported in the funds.		
Net pension asset		204,052
Unavailable revenue		303,451
<p>Deferred inflows and outflows related to the Town's pension plans do not represent current resources or uses of resources, and therefore, are not reported in the funds.</p>		
Deferred outflows of resources - pensions	\$ 2,159,023	
Deferred outflows of resources - OPEB	1,112,158	
Deferred inflows of resources - pensions	(2,216,346)	
Deferred inflows of resources - OPEB	<u>(2,833,531)</u>	(1,778,696)
<p>Long-term liabilities, including loans payable and accrued interest, are not due and payable in the current period, and therefore, not reported in the funds.</p>		
Bonds payable	\$ (5,387,137)	
Bond premium	(624,024)	
Lease payable	(478,633)	
Total OPEB liability	(9,522,894)	
Net pension liability	(8,828,313)	
Accrued interest	(45,605)	(24,886,606)
Compensated absences that are not due and payable in the current period are not reported in the funds.		<u>(832,773)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$ 2,822,977</u></u></b>

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, 2022**  
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	Major Funds			Nonmajor Governmental Funds	Totals	
	General Fund	Capital Improvement Fund	ARPA Fund		2022	2021
<b>REVENUES</b>						
Taxes:						
Property taxes	\$ 4,582,651	\$ -	\$ -	\$ -	\$ 4,582,651	\$ 4,281,773
Transfer taxes	1,469,351	-	-	-	1,469,351	2,026,000
Special assessment/impact fees	257,893	-	-	-	257,893	562,338
Charges for services	130,551	-	-	-	130,551	1,708,964
Intergovernmental	885,378	100,000	1,550,139	296,232	2,831,749	1,950,633
Licenses, fees, and permits	585,187	-	-	-	585,187	548,117
Fines and forfeits	158,705	-	-	-	158,705	116,731
Franchise fees	242,155	-	-	-	242,155	243,363
Investment income	74,046	2,809	1,201	4,232	82,288	69,958
Rental Income	100,949	-	-	-	100,949	82,280
Miscellaneous	675,659	16,513	-	-	692,172	141,151
<b>TOTAL REVENUES</b>	<b>9,162,525</b>	<b>119,322</b>	<b>1,551,340</b>	<b>300,464</b>	<b>11,133,651</b>	<b>11,731,308</b>
<b>EXPENDITURES</b>						
Current:						
General government	2,052,438	-	265,512	-	2,317,950	2,207,587
Public safety	5,550,119	-	-	104,916	5,655,035	4,525,397
Public works	1,090,432	431,390	-	111,668	1,633,490	2,893,286
Planning and inspection	729,831	-	-	-	729,831	770,346
Library	331,176	-	-	-	331,176	285,108
Culture and recreation	550,027	-	-	-	550,027	295,590
Debt service:						
Principal	603,758	-	-	-	603,758	622,221
Interest	205,550	-	-	-	205,550	144,861
Capital outlay	457,655	968,852	-	-	1,426,507	1,111,409
<b>TOTAL EXPENDITURES</b>	<b>11,570,986</b>	<b>1,400,242</b>	<b>265,512</b>	<b>216,584</b>	<b>13,453,324</b>	<b>12,855,805</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,408,461)</b>	<b>(1,280,920)</b>	<b>1,285,828</b>	<b>83,880</b>	<b>(2,319,673)</b>	<b>(1,124,497)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital lease issued	-	-	-	-	-	543,224
Unrealized loss on investments	(259,920)	-	-	-	(259,920)	-
Proceeds from sale of capital asset	17,049	-	-	-	17,049	-
Transfers in	1,696,998	53,381	-	58,781	1,809,160	3,412,936
Transfers out	(62,753)	-	(1,284,625)	-	(1,347,378)	(1,778,712)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,391,374</b>	<b>53,381</b>	<b>(1,284,625)</b>	<b>58,781</b>	<b>218,911</b>	<b>2,177,448</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(1,017,087)</b>	<b>(1,227,539)</b>	<b>1,203</b>	<b>142,661</b>	<b>(2,100,762)</b>	<b>1,052,951</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>2,840,485</b>	<b>77,144</b>	<b>444</b>	<b>1,309,853</b>	<b>4,227,926</b>	<b>3,174,975</b>
<b>PRIOR PERIOD ADJUSTMENT - Note 23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,505</b>	<b>125,505</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,823,398</b>	<b>\$ (1,150,395)</b>	<b>\$ 1,647</b>	<b>\$ 1,578,019</b>	<b>\$ 2,252,669</b>	<b>\$ 4,227,926</b>

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

**TOWN OF SMYRNA**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (2,100,762)

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 (\$1,633,370) exceeded capital outlay (\$1,426,507). (206,863)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred inflows of resources increased by this amount this year. (94,021)

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

	Debt Issued	Repayments	
Debt service principal	\$ -	\$ 297,500	
Capital leases	-	306,258	
	\$ -	\$ 603,758	603,758

Governmental funds report bond premiums as other financing sources. However, these amounts are reported on the statement of net position as credits and are amortized over the life of the debt. 34,668

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

Compensated absences	\$ (88,077)	
Accrued interest	2,974	
Net OPEB expense	(426,018)	(511,121)

In the statement of activities, pension expense reflects the change in the net pension liability, net of related deferred inflows and outflows of resources. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in the net pension liability and related deferrals exceeded pension contributions. 1,011,139

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (1,263,202)

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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 4,610,000	\$ 4,610,000	\$ 4,582,651	\$ (27,349)
Transfer taxes	1,200,000	1,200,000	1,469,351	269,351
Special assessment/impact fees	225,000	225,000	257,893	32,893
Charges for services	130,000	130,000	130,551	551
Intergovernmental	221,000	221,000	885,378	664,378
Licenses, fees, and permits	358,500	358,500	585,187	226,687
Fines and forfeits	92,000	92,000	158,705	66,705
Franchise fees	215,000	215,000	242,155	27,155
Investment income	1,200	1,200	74,046	72,846
Rental Income	90,000	90,000	100,949	10,949
Miscellaneous	101,000	101,000	675,659	574,659
<b>TOTAL REVENUES</b>	<u>7,243,700</u>	<u>7,243,700</u>	<u>9,162,525</u>	<u>1,918,825</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,773,621	2,773,621	2,052,438	721,183
Public safety	5,944,371	5,944,371	5,550,119	394,252
Public works	2,631,968	2,631,968	1,090,432	1,541,536
Planning and inspection	969,582	969,582	729,831	239,751
Library	402,940	402,940	331,176	71,764
Culture and recreation	521,905	521,905	550,027	(28,122)
Debt service:				
Principal	351,292	351,292	603,758	(252,466)
Interest	92,700	92,700	205,550	(112,850)
Capital outlay	-	-	457,655	(457,655)
<b>TOTAL EXPENDITURES</b>	<u>13,688,379</u>	<u>13,688,379</u>	<u>11,570,986</u>	<u>2,117,393</u>
<b>DEFICIENCY OF REVENUES</b>				
<b>UNDER EXPENDITURES</b>	<u>(6,444,679)</u>	<u>(6,444,679)</u>	<u>(2,408,461)</u>	<u>4,036,218</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Unrealized loss on investments	-	-	(259,920)	(259,920)
Proceeds from sale of capital asset	-	-	17,049	17,049
Transfers in	1,500,000	1,500,000	1,696,998	196,998
Transfers out	-	-	(62,753)	(62,753)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,391,374</u>	<u>(108,626)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>(4,944,679)</u>	<u>(4,944,679)</u>	<u>(1,017,087)</u>	<u>3,927,592</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,840,485</u>	<u>2,840,485</u>	<u>2,840,485</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ (2,104,194)</u>	<u>\$ (2,104,194)</u>	<u>\$ 1,823,398</u>	<u>\$ 3,927,592</u>

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

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Proprietary Funds</u>	<u>Totals</u>	
				<u>2022</u>	<u>2021</u>
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 1,641,129	\$ 1,542,609	\$ 222,414	\$ 3,406,152	\$ 2,913,878
Investments	7,388	-	-	7,388	7,493
Accounts receivable, net	2,572,300	1,072,773	265,541	3,910,614	3,026,704
Loans receivable	-	-	36,155	36,155	36,155
Prepaid Expenses	-	-	-	-	-
Due from other funds	1,495,507	1,829,007	-	3,324,514	-
Inventory	867,583	102,700	-	970,283	966,957
<b>Restricted Assets:</b>				-	-
Meter deposits	954,535	11,068	-	965,603	931,578
<b>Total Current Assets</b>	<u>7,538,442</u>	<u>4,558,157</u>	<u>524,110</u>	<u>12,620,709</u>	<u>7,882,765</u>
<b>Noncurrent Assets:</b>					
Loan receivable	-	-	83,773	83,773	119,931
Net pension asset	4,985	2,499	-	7,484	157,117
Net OPEB asset	-	-	48,023	48,023	-
Capital assets, net	12,627,647	38,635,964	-	51,263,611	51,850,921
<b>Total Noncurrent Assets</b>	<u>12,632,632</u>	<u>38,638,463</u>	<u>131,796</u>	<u>51,402,891</u>	<u>52,127,969</u>
<b>TOTAL ASSETS</b>	<u>20,171,074</u>	<u>43,196,620</u>	<u>655,906</u>	<u>64,023,600</u>	<u>60,010,734</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - pensions	502,989	434,829	53,410	991,228	259,613
Deferred outflows - OPEB	88,938	35,785	-	124,723	158,646
<b>Total Deferred Outflows of Resources</b>	<u>591,927</u>	<u>470,614</u>	<u>53,410</u>	<u>1,115,951</u>	<u>418,259</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 20,763,001</u>	<u>\$ 43,667,234</u>	<u>\$ 709,316</u>	<u>\$ 65,139,551</u>	<u>\$ 60,428,993</u>

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

**TOWN OF SMYRNA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(With Summarized Comparative Data for the Year Ended December 31, 2021)

				<u>Totals</u>	
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Proprietary Funds</u>	<u>2022</u>	<u>2021</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 1,142,297	\$ 808,269	\$ 68,801	\$ 2,019,367	\$ 969,125
Accrued salaries and benefits	39,001	26,534	3,737	69,272	55,502
Accrued Interest	19,545	50,826	-	70,371	45,881
Developer Deposits	336,940	-	-	336,940	88,868
Accrued compensated absences	-	-	-	-	10,342
Current portion of lease payable	60,422	7,276	-	67,698	66,665
Current portion of bonds payable	149,874	-	-	149,874	143,874
Current portion of loans payable	-	1,069,961	-	1,069,961	809,224
Meter deposits	954,535	11,068	-	965,603	931,578
<b>Total Current Liabilities</b>	<u>2,702,614</u>	<u>1,973,934</u>	<u>72,538</u>	<u>4,749,086</u>	<u>3,121,059</u>
<b>Noncurrent Liabilities:</b>					
Accrued compensated absences	131,291	69,335	5,686	206,312	93,077
Lease payable	131,798	12,742	-	144,540	212,238
Bonds payable	2,462,721	-	-	2,462,721	2,612,595
Loans payable	-	11,532,711	-	11,532,711	12,309,863
Net OPEB liability	668,550	371,579	-	1,040,129	1,456,952
Net pension liability	606,661	579,362	32,168	1,218,191	962,447
<b>Total Noncurrent Liabilities</b>	<u>4,001,021</u>	<u>12,565,729</u>	<u>37,854</u>	<u>16,604,604</u>	<u>17,647,172</u>
<b>TOTAL LIABILITIES</b>	<u>6,703,635</u>	<u>14,539,663</u>	<u>110,392</u>	<u>21,353,690</u>	<u>20,768,231</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - pensions	357,448	344,250	-	701,698	805,620
Deferred inflows - OPEB	412,303	134,080	57,915	604,298	77,622
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>769,751</u>	<u>478,330</u>	<u>57,915</u>	<u>1,305,996</u>	<u>883,242</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>7,473,386</u>	<u>15,017,993</u>	<u>168,307</u>	<u>22,659,686</u>	<u>21,651,473</u>
<b>NET POSITION</b>					
Net investment in capital assets	9,822,832	25,960,818	-	35,783,650	35,696,462
Restricted for rural economic development	-	-	336,298	336,298	300,000
Unrestricted	3,466,783	2,688,423	204,711	6,359,917	2,781,058
<b>TOTAL NET POSITION</b>	<u>13,289,615</u>	<u>28,649,241</u>	<u>541,009</u>	<u>42,479,865</u>	<u>38,777,520</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 20,763,001</u>	<u>\$ 43,667,234</u>	<u>\$ 709,316</u>	<u>\$ 65,139,551</u>	<u>\$ 60,428,993</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, 2022**  
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	Electric Fund	Water and Sewer Fund	Nonmajor Proprietary Funds	Totals	
				2022	2021
<b>OPERATING REVENUES</b>					
User service charges	\$ 16,053,382	\$ 5,998,259	\$ 1,684,253	\$ 23,735,894	\$ 20,024,832
Other operating revenue	50,092	-	17,307	67,399	140,472
<b>Total Operating Revenues</b>	<b>16,103,474</b>	<b>5,998,259</b>	<b>1,701,560</b>	<b>23,803,293</b>	<b>20,165,304</b>
<b>OPERATING EXPENSES</b>					
Electric purchased	9,397,455	-	-	9,397,455	8,546,694
Sewer charges	-	1,078,026	-	1,078,026	1,378,603
Trash Fees	-	-	1,024,568	1,024,568	-
System maintenance	349,811	183,744	134,527	668,082	633,779
Salaries and wages	1,426,985	940,181	132,556	2,499,722	2,041,954
Employee benefits	344,645	163,781	51,629	560,055	772,314
Depreciation and amortization	960,213	1,004,682	-	1,964,895	1,965,278
Supplies and maintenance	584,101	455,553	11,867	1,051,521	745,719
Truck and vehicles	-	-	-	-	69,813
Insurance	85,739	64,274	11,912	161,925	110,977
Administration expenses	382,791	252,922	40,559	676,272	125,059
Professional services	304,549	270,188	74,076	648,813	758,264
Bad Debt Expense	-	-	-	-	-
Grant-in-aide - Façade Program	-	-	18,869	18,869	24,550
<b>Total Operating Expenses</b>	<b>13,836,289</b>	<b>4,413,351</b>	<b>1,500,563</b>	<b>19,750,203</b>	<b>17,173,004</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,267,185</b>	<b>1,584,908</b>	<b>200,997</b>	<b>4,053,090</b>	<b>2,992,300</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment losses	-	-	-	-	(25)
Interest expense	(79,455)	(269,527)	-	(348,982)	(326,961)
Intergovernmental (expenses)	(70,000)	-	-	(70,000)	(70,000)
Intergovernmental revenues	-	325,067	-	325,067	6,246
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(149,455)</b>	<b>55,540</b>	<b>-</b>	<b>(93,915)</b>	<b>(390,740)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>					
	2,117,730	1,640,448	200,997	3,959,175	2,601,560
Transfers in	-	1,146,670	-	1,146,670	1,604,953
Transfers out	(1,108,452)	(500,000)	-	(1,608,452)	(3,239,177)
Capital contributions	204,952	-	-	204,952	821,905
<b>CHANGE IN NET POSITION</b>	<b>1,214,230</b>	<b>2,287,118</b>	<b>200,997</b>	<b>3,702,345</b>	<b>1,789,241</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>12,075,385</b>	<b>26,362,123</b>	<b>340,012</b>	<b>38,777,520</b>	<b>36,988,279</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 13,289,615</b>	<b>\$ 28,649,241</b>	<b>\$ 541,009</b>	<b>\$ 42,479,865</b>	<b>\$ 38,777,520</b>

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, 2022**  
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	Electric Fund	Water and Sewer Fund	Nonmajor Proprietary Funds	Totals	
				2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Received from customers	\$ 15,770,736	\$ 5,746,653	\$ 1,472,177	\$ 22,989,566	\$ 19,745,413
Paid to suppliers for goods and services	(10,606,675)	(1,845,503)	(1,258,927)	(13,711,105)	(12,725,474)
Paid to employees for services	(2,019,765)	(1,102,959)	(174,762)	(3,297,486)	(2,910,451)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>3,144,296</u>	<u>2,798,191</u>	<u>38,488</u>	<u>5,980,975</u>	<u>4,109,488</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in / (out )	(1,108,451)	(500,000)	-	(1,608,451)	(3,239,177)
Intergovernmental revenues (expenses)	(70,000)	30,667	-	(39,333)	(63,754)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(1,178,451)</u>	<u>(469,333)</u>	<u>-</u>	<u>(1,647,784)</u>	<u>(3,302,931)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Repayment of bonds, loans, and capital leases payable	(186,889)	(862,371)	-	(1,049,260)	(986,707)
Loan proceeds	-	633,079	-	633,079	1,144,638
Developer capital contributions	453,128	-	-	453,128	905,535
Acquisition and construction of capital assets	(65,742)	(129,091)	-	(194,833)	(926,529)
Interest paid	(80,730)	(243,762)	-	(324,492)	(316,288)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>119,767</u>	<u>(602,145)</u>	<u>-</u>	<u>(482,378)</u>	<u>(179,351)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Advances to other funds	(1,495,507)	(1,829,007)	-	(3,324,514)	-
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<u>(1,495,507)</u>	<u>(1,829,007)</u>	<u>-</u>	<u>(3,324,514)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>590,105</u>	<u>(102,294)</u>	<u>38,488</u>	<u>526,299</u>	<u>627,206</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,005,559</u>	<u>1,655,971</u>	<u>183,926</u>	<u>3,845,456</u>	<u>3,218,250</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,595,664</u>	<u>\$ 1,553,677</u>	<u>\$ 222,414</u>	<u>\$ 4,371,755</u>	<u>\$ 3,845,456</u>

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

**TOWN OF SMYRNA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Summarized Comparative Data for the Year Ended December 31, 2021)**

	Electric Fund	Water and Sewer Fund	Nonmajor Proprietary Funds	Totals	
				2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Operating income	\$ 2,267,185	\$ 1,584,908	\$ 200,997	\$ 4,053,090	\$ 2,992,300
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	960,213	1,004,682	-	1,964,895	1,965,278
Bad Debt Expense	-	-	47,664	47,664	-
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	(367,238)	(251,130)	(313,205)	(931,573)	(486,535)
(Increase) Decrease in Loan receivable	-	-	36,158	36,158	41,155
(Increase) Decrease in inventory	(31,765)	28,439	-	(3,326)	(301,328)
(Increase) Decrease in prepaid expenses	-	-	-	-	13,200
(Increase) Decrease in net OPEB asset	-	-	(48,023)	(48,023)	13,200
(Increase) Decrease in deferred outflow pension items	(349,126)	(329,079)	-	(678,205)	211,650
(Increase) Decrease in deferred outflow OPEB items	26,095	7,828	(53,410)	(19,487)	8,251
Increase (Decrease) in accounts payable	366,829	562,156	68,801	997,786	(43,888)
Increase (Decrease) in accrued salaries and benefits	4,379	5,654	9,423	19,456	19,242
Increase (Decrease) in customer deposits	34,500	(475)	-	34,025	25,489
Increase (Decrease) in deferred inflow pension items	(98,123)	(5,799)	-	(103,922)	(200,410)
Increase (Decrease) in deferred inflow OPEB items	360,586	108,175	57,915	526,676	(16,711)
Increase (Decrease) in net pension liability	238,228	134,981	32,168	405,377	(240,619)
Increase (Decrease) in net OPEB liability	(320,633)	(96,190)	-	(416,823)	136,158
Increase (Decrease) in compensated absences	53,166	44,041	-	97,207	(13,744)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 3,144,296</b>	<b>\$ 2,798,191</b>	<b>\$ 38,488</b>	<b>\$ 5,980,975</b>	<b>\$ 4,122,688</b>

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

**TOWN OF SMYRNA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Proprietary Funds</u>	<u>Totals</u>	
				<u>2022</u>	<u>2021</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>					
Capital assets received from ARPA fund	\$ -	\$ 1,039,605	\$ -	\$ 1,039,605	\$ 2,165,265
Capital assets included in accounts payable	-	58,329	-	58,329	-
<b>TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	<u>\$ -</u>	<u>\$ 1,097,934</u>	<u>\$ -</u>	<u>\$ 1,097,934</u>	<u>\$ 2,165,265</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:</b>					
Cash and cash equivalents	\$ 1,641,129	\$ 1,542,609	\$ 222,414	\$ 3,406,152	\$ 2,913,878
Meter deposits, restricted	954,535	11,068	-	965,603	931,578
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 2,595,664</u>	<u>\$ 1,553,677</u>	<u>\$ 222,414</u>	<u>\$ 4,371,755</u>	<u>\$ 3,845,456</u>

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

**TOWN OF SMYRNA**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2022**  
**(With Summarized Comparative Data for the Year Ended December 31, 2021)**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,056,515	\$ 957,450
Prepaid expense	65,798	59,901
Accounts receivable	60,825	855
Interest receivable	-	18,563
Investments at fair value		
Mutual funds	6,637,899	6,310,141
Fixed income	2,032,536	2,375,883
Exchange-traded funds	454,478	385,251
Insurance contracts	1,908,332	3,986,284
<b>TOTAL ASSETS</b>	<b>\$ 12,216,383</b>	<b>\$ 14,094,328</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 208,887	\$ 81,946
<b>NET POSITION</b>		
Restricted for pension	12,007,496	14,012,382
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 12,216,383</b>	<b>\$ 14,094,328</b>

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

**TOWN OF SMYRNA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	<b>2022</b>	<b>2021</b>
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Employer contribution	\$ 753,448	\$ 483,487
Employee contribution	60,213	72,360
<b>Total Contributions</b>	<b>813,661</b>	<b>555,847</b>
<b>Investment Income:</b>		
Interest and dividends	339,923	377,249
Net appreciation in fair value of investments	(2,074,398)	537,408
<b>Total Investment Income</b>	(1,734,475)	914,657
Less: investment expense	117,689	118,564
<b>Net Investment Income</b>	<b>(1,852,164)</b>	<b>796,093</b>
<b>TOTAL ADDITIONS</b>	<b>(1,038,503)</b>	<b>1,351,940</b>
<b>DEDUCTIONS:</b>		
Benefits paid	959,174	830,386
Administrative expenses	7,209	3,853
<b>TOTAL DEDUCTIONS</b>	<b>966,383</b>	<b>834,239</b>
<b>CHANGE IN NET POSITION</b>	(2,004,886)	517,701
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>14,012,382</b>	<b>13,494,681</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 12,007,496</b>	<b>\$ 14,012,382</b>

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Financial Reporting Entity

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

The GASB Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”) established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in an entity’s financial reporting entity are financial interdependencies, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships.

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

Entity-wide and Fund Financial Statements

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

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

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

The Town reports the following major governmental funds:

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

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

ARPA Fund - This fund is used to account for the proceeds received from the United State Treasury's American Rescue Plan Act.

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

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

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The Town reports the following major proprietary funds:

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

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

Nonmajor Proprietary Fund - In addition to the above major proprietary funds, the Smyrna Slum Clearance and Redevelopment Authority fund is used to account for redevelopment and revitalization activity of blighted areas within the Town. The Trash Fund is used to account for trash services provided to the town residential properties. The Town's trash activities were formally reported in the Town's General Fund. Effective January 1, 2022 the Town began to separately report the Trash activities in a separate business type fund. There was no impact on the January 1, 2022 opening balance as a result of this change.

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

The Town also reports the following fiduciary fund type:

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

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

Deposits and Investments

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Deposits and Investments - Continued

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

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

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

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

Allowance for Doubtful Accounts

Water and sewer fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Electric fees do not constitute a lien; however, maintenance of adequate customer deposits, monthly billing, and diligent collection procedures minimize losses from uncollectible accounts. As of December 31, 2022, the Town allowance for uncollectible electric accounts and trash accounts was \$141,878 and \$47,664, respectively. In addition, the Town's governmental funds receivables relate largely to tax receivables and intergovernmental grant receivables. Tax receivables are considered to be fully collectible, as the Town taxes are liens on taxpayers' real property, and are normally paid in full when the title to a property transfers. Intergovernmental grant receivables, based on their nature, are also considered to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established by the Town.

Deferred Inflows and Deferred Outflows of Resources

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Deferred Inflows and Deferred Outflows of Resources - Continued

Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until the future period. The Town has several items that are required to be reported in this category: (1) differences between actual and projected investment returns related to pensions and other postemployment benefits (“OPEB”), (2) differences between actual and expected experience related to pensions and OPEB, (3) changes in the Town’s proportionate share of the net pension liability for the multi-employer cost-sharing pension plans in which it participates, (4) pension contributions made subsequent to the measurement date of its net pension liability, and (5) changes in assumptions related to pensions and OPEB. Differences between the actual and projected investment returns related to pensions and OPEB are deferred and amortized over five years; the remaining deferred outflows related to the pensions and OPEB are amortized over the estimated remaining service lives of the plans’ participants.

Deferred inflows of resources represent an acquisition of net assets that applies to future periods. The revenue is recognized in the applicable future period(s). The Town has three items that are required to be reported in this category: (1) deferred inflow from pensions, (2) deferred inflow from OPEB, and (3) unavailable revenue including lease revenue. Deferred inflows related to pensions and OPEB include: (a) differences between actual and projected investment, (b) differences between actual and expected experience, (c) changes in the Town’s proportionate share of the net pension liability for the multi-employer cost-sharing pension plans in which it participates, (d) pension contributions made subsequent to the measurement date of its net pension liability, and (e) changes in assumptions. Differences between the actual and projected investment returns related to pensions and OPEB are deferred and amortized over five years; the remaining deferred outflows related to the pensions and OPEB are amortized over the estimated remaining service lives of the plans’ participants.

Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the revenues become available.

Inventories and Prepaid Items

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Capital Assets

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

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

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

Employee Benefits

*Non-bargaining Units*

Regular, full-time employees begin to accrue vacation and sick leave when they are hired; however, they are not eligible to use vacation and sick leave until they have completed their first six months of employment. Sick leave is accrued at the rate of 12 days per completed year prorated at the rate of one day for each completed month of service. Employees may accumulate up to 260 sick leave days (2,080 hours). One-half of the full amount accumulated up to 45 days maximum is paid if the employee is terminated in good standing, retires, or dies. Vacation is accrued for each month of work performed. The accrual rate increases with years of service from 12 days per year up to a maximum of 24 days per year for 20 years of service and over. Accrued vacation is capped at 35 days. 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.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Employee Benefits - Continued

*Uniformed Employee Bargaining Units*

Uniformed full-time employees begin to accrue vacation and sick leave when they are hired. Sick leave is accrued at the rate of 12 days per completed year prorated at the rate of one day for each completed month of service. Employees may accumulate an unlimited number of sick days. If the employee is terminated in good standing, retires, or dies, the maximum number of days paid shall be equivalent one-half accrued sick time up 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. Compensatory time is accrued at the rate of 1½ hours for each one hour of overtime worked. Uniformed employees earn vacation leave based on tenure from 12 work days to 24 work days per year for uniformed employees with over 20 years of service. A workday is 12 hours and paid at the employee's straight time rate. Uniform employees' vacation and compensatory time is accumulated as combined Personal Time Off (PTO) balance. PTO is limited to the following: for employees that are not retiring at departure, PTO is limited to one-year's accrual; for retiring employees, PTO is limited to 1,440 hours.

*Non-uniformed Employee Bargaining Units*

Vacation leave is accrued based on years of service and is cumulative from year to year, however, total accumulated vacation time shall never exceed the lesser of: (i) two times an amount of time equal to the employee's maximum vacation leave which could be earned in the current year of service; (ii) or 35 days. Vacation is accrued for each month of work performed. The accrual rate increases with years of service from 12 days per year up to a maximum of 24 days per year for 20 years of service and over.

Sick leave is accrued at the rate of one (1) day per month of full-time employment up to a maximum of twelve (12) days per year. Sick leave shall accrue to a maximum of 2,080 hours (260) days. If an employee is pensioned off under the conditions of the Pension Plan of the Town, is terminated, or dies, he or his estate shall be paid for one-half (1/2) of accrued sick time; provided, however, that the maximum amount to be paid under the collective bargaining agreement shall be equivalent to one hundred and sixty (160) hours' pay.

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Long-term Debt

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

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

Fund Balance

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

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

*Restricted* - amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

*Committed* - amounts that can only be used for specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Town Council. Committed amounts cannot be used for any other purposes unless the Town Council removes those constraints by taking the same type of formal action (i.e., resolution).

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Balance - Continued

*Assigned* - amounts that are intended for a particular purpose such as future benefits funding or segregation of an amount intended to be used at some time in the future. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town Manager through the budgetary process.

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

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

Property Taxes

Property taxes attach as an enforceable lien on property when levied. All liens continue until property taxes are paid in full. Taxes are levied on May 1 and are payable on or before September 30. Taxes paid before July 1 are given a 6% discount. Taxes paid on or after September 30 of each year are assessed interest at 1½% per month after the due date. The Town bills and collects its own property taxes. Town property tax revenues are recognized on a pro rata basis. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. The property tax rate for 2022 was 44 cents per \$100 of assessed value.

Use of Estimates in the Preparation of Financial Statements

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

Restricted Assets

Certain assets are classified as restricted at the entity-wide level because restricted cash can be managed in a pool and their use is limited by enabling legislation or granting agencies.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Budgetary Information

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

- a. Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on a basis consistent with generally accepted accounting principles.
- b. The Town Council adopts legal annual budgets for the General Fund and Proprietary Funds. The Town Council also adopts legal project length budgets for its Capital Improvement Fund and certain nonmajor governmental funds. Since project periods may differ from the Town's fiscal year, a comparison of budgetary information for the Capital Improvement Fund and certain nonmajor governmental funds would not be meaningful and has not been presented in the accompanying financial statements.
- c. The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- d. Unused appropriations for all of the above annually budgeted funds lapse at year end.
- e. For 2022, there were no amendments to the legally adopted budgets.

New Accounting Pronouncements

GASB Statement No. 94, "Public-Private and Private-Public Partnerships and Availability Payment Arrangements," will be effective for reporting periods beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

New Accounting Pronouncements - Continued

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

GASB Statement No. 100, “Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62”, will be effective for reporting periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 102, “Compensated Absences”, will be effective for the Town for the periods beginning after December 15, 2023, and all reporting periods thereafter. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

GASB Statement No. 101, “Certain Risk Disclosures”, will be effective for the Town for the periods beginning after June 15, 2024, and all reporting periods thereafter. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.

Accounting for the Effects of Electric Rate Regulation

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Accounting for the Effects of Electric Rate Regulation - Continued

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

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

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

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town’s financial position and operations. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Town’s financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Excess of Expenditures Over Appropriations

For the year ended December 31, 2022, the General Fund’s legal budget was not exceeded. Expenditures in excess of appropriations were incurred in the following functions:

Function	Expenditures Over Budget
Culture and Recreation	\$ 28,122
Debt Service	
Principal	252,466
Interest	112,850

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

**NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Town has not adopted a formal policy limiting the amount of the Town’s deposits subject to custodial credit risk. At December 31, 2022, the carrying amount of the Town's deposits was \$11,455,685 and the bank balance was \$12,561,727. 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, 2022, \$12,561,727 was covered by federal depository insurance, and \$11,294,268 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository’s agent was not in the Town’s name. The Town has not experienced any losses in such accounts.

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

*Investments*

As of December 31, 2022, the Town had the following investments:

	Fair Value	Level 1
Money market funds	\$ 2,344,515	\$ 2,344,515
Exchange traded funds	269,997	269,997
Mutual funds	822,648	822,648
	\$ 3,437,160	\$ 3,437,160

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.

Custodial Credit Risk

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

Credit Risk

The Town has an investment policy which limits investment choices to those which are backed by the full faith and credit of the U.S. Government through either an explicit or implied manner; obligations of a state, county or city, or institutional grade investments in the following categories: Certificates of Deposit, Time Deposits, and Bankers Acceptances, Corporate Debt Instruments, Money Market Funds, Agency Mortgage-Backed Securities, Asset Backed Securities, Agency Collateralized Mortgage Obligations, and Commercial Mortgage-Backed Securities.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

Concentration Risk

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

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

**NOTE 4: CAPITAL ASSETS**

The capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 2,010,323	\$ -	\$ -	\$ 2,010,323
Construction in progress	89,575	968,192	89,575	968,192
Total capital assets not being depreciated	2,099,898	968,192	89,575	2,978,515
Capital assets being depreciated:				
Buildings and improvements	12,294,309	117,546	-	12,411,855
Infrastructure	27,688,689	15,597	-	27,704,286
Land improvements	961,844	35,004	-	996,848
Machinery and equipment	6,636,766	381,093	-	7,017,859
Total capital assets being depreciated	47,581,608	549,240	-	48,130,848
Less: accumulated depreciation for				
Buildings and improvements	3,214,177	260,412	-	3,474,589
Infrastructure	13,600,004	918,820	-	14,518,824
Land improvements	694,760	30,814	-	725,574
Machinery and equipment	4,404,822	424,674	-	4,829,496
Total accumulated depreciation	21,913,763	1,634,720	-	23,548,483
Total capital assets, being depreciated, net	25,667,845	(1,085,480)	-	24,582,365
Governmental activities capital assets, net	\$ 27,767,743	\$ (117,288)	\$ 89,575	\$ 27,560,880

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 4: CAPITAL ASSETS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 685,957	\$ -	\$ -	\$ 685,957
Construction in progress	721,488	1,330,758	-	2,052,246
Total capital assets, not being depreciated	1,407,445	1,330,758	-	2,738,203
Capital assets being depreciated:				
Buildings and improvements	3,265,334	-	-	3,265,334
Infrastructure	67,436,030	46,827	-	67,482,857
Machinery and equipment	3,050,302	-	-	3,050,302
Total capital assets, being depreciated	73,751,666	46,827	-	73,798,493
Less: accumulated depreciation for				
Buildings and improvements	1,310,692	61,494	-	1,372,186
Infrastructure	19,989,627	1,756,646	-	21,746,273
Machinery and equipment	2,007,871	146,755	-	2,154,626
Total accumulated depreciation	23,308,190	1,964,895	-	25,273,085
Total capital assets being depreciated, net	50,443,476	(1,918,068)	-	48,525,408
Business-Type activities assets, net	<u>\$ 51,850,921</u>	<u>\$ (587,310)</u>	<u>\$ -</u>	<u>\$ 51,263,611</u>

Depreciation expense was charged to the functions as follows:

Government Activities:	
General government	\$ 87,018
Public safety	312,604
Public works	1,136,021
Planning and inspection	25,930
Library	18,391
Culture and recreation	54,756
Total depreciation expense	<u>\$ 1,634,720</u>
Business-Type Activities:	
Electric	\$ 960,213
Water and sewer	1,004,682
Total depreciation expense	<u>\$ 1,964,895</u>

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 5: LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Government Activities</i>					
Bonds payable	\$ 5,684,637	\$ -	\$ 297,500	\$ 5,387,137	\$ 311,500
Bond premium	658,692	-	34,668	624,024	34,668
Capital lease payable	784,891	-	306,258	478,633	203,606
Compensated absences	744,696	453,385	365,308	832,773	83,846
Net OPEB liability	11,591,048	-	2,068,154	9,522,894	-
Net pension liability	10,759,171	-	1,909,378	8,849,793	-
	<u>\$ 30,223,135</u>	<u>\$ 453,385</u>	<u>\$ 4,981,266</u>	<u>\$ 25,695,254</u>	<u>\$ 633,620</u>
<i>Business-Type Activities</i>					
Bonds payable	\$ 2,445,363	\$ -	\$ 127,500	\$ 2,317,863	\$ 133,500
Bond premium	311,106	-	16,374	294,732	16,374
Loans payable	13,119,087	633,080	1,149,495	12,602,672	1,069,961
Capital lease payable	278,903	-	66,665	212,238	67,698
Compensated absences	103,419	117,885	14,992	206,312	20,063
Net OPEB liability	1,456,952	-	464,846	992,106	-
Net pension liability	962,447	255,744	-	1,218,191	-
	<u>\$ 18,677,277</u>	<u>\$ 1,006,709</u>	<u>\$ 1,839,872</u>	<u>\$ 17,844,114</u>	<u>\$ 1,307,596</u>

For the governmental activities, bonds, loans, and capital lease payable; compensated absences; net pension liability; and net other postemployment benefit (“OPEB”) liability are generally liquidated by the General Fund for the governmental share. The Water and Sewer Fund and Electric Fund, which make up the business-type activities, liquidate their own portions.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 5: LONG-TERM LIABILITIES - CONTINUED**

Bonds and Loans Payable

*Governmental Activities*

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

\$ 5,387,137

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

624,024

Total Government Activities

\$ 6,011,161

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

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 311,500	\$ 176,190	\$ 487,690
2024	322,000	163,520	485,520
2025	336,000	150,360	486,360
2026	346,500	136,710	483,210
2027	364,000	122,500	486,500
2028 - 2032	1,830,500	413,560	2,244,060
2033 - 2037	1,284,500	188,528	1,473,028
2038 - 2041	<u>592,137</u>	<u>19,373</u>	<u>611,510</u>
	<u><u>\$ 5,387,137</u></u>	<u><u>\$ 1,370,741</u></u>	<u><u>\$ 6,757,878</u></u>

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 5: LONG-TERM LIABILITIES - CONTINUED**

**Business-Type Activities:**

<p>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.</p>	<p>\$ 161,053</p>
<p>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.</p>	<p>472,511</p>
<p>Loan payable issued by the Delaware Department of Natural Resources and Environmental Control in the total amount of \$5,975,000 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.</p>	<p>1,804,844</p>
<p>Loan payable issued by the Delaware Department of Health and Social Services, Division of Public Health to finance the Town's drinking water project. The loan matures on May 1, 2031, and bears interest at 3.24%, payable on May 1 and November 1.</p>	<p>954,019</p>
<p>Loan payable issued by the Delaware Department of Health and Social Services, Division of Public Health 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 on August 1, 2033.</p>	<p>91,349</p>

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 5: LONG-TERM LIABILITIES - CONTINUED**

<p>The Town obtained a bank line of credit in the amount of \$1,000,000 to assist in providing interim funding for specific water and sewer projects that have committed financing in place. Interest is paid monthly at a floating rate. The loan matures on February 28, 2023. At year end, the interest rate was 2.14%.</p>	<p>\$ 7,848</p>
<p>The Town obtained financing from the USDA in the amount of \$1,837,914 to finance North of Duck Creek Extension Phase I. The loan bears an interest rate of 2.125%.</p>	<p>1,594,485</p>
<p>Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the South Street wastewater project. The loan matures on April 30, 2032, and bears interest at 2.0%, payable on April 30 and October 30.</p>	<p>779,618</p>
<p>Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the New Street pump station project. The loan matures on April 30, 2032, and bears interest at 2.0%, payable on April 30 and October 30.</p>	<p>174,057</p>
<p>Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the Green Branch pump station project. The loan matures on April 30, 2032, and bears interest at 2.0%, payable on April 30 and October 30.</p>	<p>99,419</p>
<p>Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the Green Meadows pump station project. The loan matures April 30, 2032 and bears interest at 2.0%, payable on April 30 and October 30.</p>	<p>331,347</p>
<p>Loan payable issued by the Delaware Department of Health and Social Services, Division of Public Health in the total amount of \$537,500 to finance the Mt. Vernon and Frazier Streets water main replacement. The Town is still drawing down on this loan. The loan bears interest at 1.5% payable on April 1 and October 1.</p>	<p>379,172</p>
<p>Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the North Duck Creek pump station. The loan matures on April 30, 2032, and bears an interest rate at 2.0%, payable on April 30 and October 30.</p>	<p>602,041</p>
<p>Loan payable issued by the Delaware Department of Natural Resources and Environmental Control to finance the Commerce Street sewer replacement. The loan matures on April 30, 2032, and bears an interest rate at 2.0%, payable on April 30 and October 30.</p>	<p>669,930</p>

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 5: LONG-TERM LIABILITIES - CONTINUED**

<p>Loan payable issued by the Delaware Department of Natural Resources and Environmental Control in the total amount of \$1,705,275 to finance the South Main Street Utility Replacement Project. The loan will have a 20 year term, will bear an interest rate of 2.0% payable on January 1 and July 1, with all outstanding principal and interest due on January 1, 2039.</p>	\$ 1,674,213
<p>Loan payable issued by the Delaware Department of Health and Social Services, Division of Public Health in the total amount of \$1,692,100 to finance the South Main Street Utility Replacement Project. The loan will have a 20 year term and will bear an interest rate of 2.0% payable on January 1 and July 1, with all outstanding principal and interest due on July 1, 2039.</p>	1,642,378
<p>The Town issued General Obligation Bonds, Series of 2020, which was used to prepay the Town's General Obligation Note, Series of 2011 and pay certain costs of issuance. The loan matures on March 1, 2040, and bears interest at 3% to 4% payable on March 1 and September 1.</p>	2,317,863
<p>Loan payable issued by the Delaware Department of Natural Resources and Environmental Control in the total amount of \$1,133,325 to supplement the financing of the South Main Street Utility Replacement Project. The loan will have a 20 year term, with interest rate at 2.0%. The loan will have a 20 year term, will bear an interest rate of 2.0% payable on January 1 and July 1, with all outstanding principal and interest due on January 1, 2039.</p>	1,164,388
<p>General Obligation Bond, Series of 2020, Premium amortized over the term of the loan.</p>	<u>294,732</u>
<p>Total Business-Type activities</p>	<u><u>\$ 15,215,267</u></u>

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

	Principal	Interest	Totals
2023	\$ 1,203,461	\$ 272,747	\$ 1,476,208
2024	1,165,281	246,998	1,412,279
2025	1,134,663	222,826	1,357,489
2026	1,157,359	198,779	1,356,138
2027	1,127,753	174,080	1,301,833
2028 - 2032	5,203,503	531,915	5,735,418
2033 - 2037	2,177,504	202,015	2,379,519
2038 - 2042	1,277,675	52,233	1,329,908
2043 - 2047	333,657	21,799	355,456
2048 - 2051	139,679	2,174	141,853
	\$ 14,920,535	\$ 1,925,566	\$ 16,846,101

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 5: LONG-TERM LIABILITIES - CONTINUED**

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

Authorized Debt

The Town received a binding commitment letter on April 11, 2019 from the Delaware Water Pollution Control Revolving Fund of the Delaware Department of Natural Resources and Environmental Control authorizing a loan to be used for the East Commerce Street Sewer Replacement Project. The loan will be used to replace the existing sewer mains between East Street and Fairfield Drive on East Commerce Street. The Department authorized this loan in April 2019 in the amount of \$1,940,881 for a term of 20 years. The interest rate on this loan shall be 2.081%. There have been no disbursements on this loan as of December 31, 2022.

The Town received a binding commitment letter on June 14, 2019 from the Delaware Drinking Water Revolving Fund of the Delaware Department of Natural Resources and Environmental Control authorizing a loan to be used for the East Commerce Street Sewer Replacement Project. The loan will be used to replace the existing sewer mains between East Street and Fairfield Drive on East Commerce Street. The Department authorized this loan in April 2019 in the amount of \$1,826,703 for a term of 20 years. The interest rate on this loan shall be 1.843%. There have been no disbursements on this loan as of December 31, 2022.

Town Council approved in April 2018 a resolution authorizing the Town to enter into an agreement for a Master Equipment Lease-Purchase agreement with PNC Equipment Finance, LLC for the purpose of acquisition, purchase, financing, and leasing of certain equipment not to exceed \$1,000,000. As of December 31, 2022, the Town has utilized a total of \$324,105 against this lease purchase agreement.

Town Council approved in September 2012 a line of credit totaling \$1,000,000 to assist the Town in providing interim funding in place for specific utility projects that have committed financing in place. As of December 31, 2022, the Town has utilized a total of \$7,848 against this line of credit. The line of credit bears interest at the Bloomberg Short-Term Bank Yield Index (with a floor of .50%) plus 1.65%. On January 4, 2022, the Town's line of credit was renewed and extended through May 28, 2024.

Compensated Absences

At December 31, 2022, accrued compensated absences for governmental activities totaled \$832,773. This total is comprised of accrued vacation leave of \$654,196, accrued sick leave of \$184,263. In addition, at December 31, 2022, accrued compensated absences in the business-type activities and proprietary funds totaled \$206,312. This total is comprised of accrued vacation leave of \$116,910 and accrued sick leave of \$83,716.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 5: LONG-TERM LIABILITIES - CONTINUED**

Capital Leases

The Town has entered into lease arrangements to finance the acquisition of new equipment and vehicles. These leases have been recorded at the present value of the future minimum lease payments as of the inception date.

The capital assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities	Total
Machinery and equipment	\$ 1,338,729	\$ 407,588	\$ 1,746,317
Less: accumulated depreciation	(361,233)	(108,869)	(470,102)
	\$ 977,496	\$ 298,719	\$ 1,276,215

The governmental activities minimum lease payment amounted to \$306,258 in 2022. In the business-type activities, the minimum lease payments amounted to \$66,665 in 2022.

The Governmental Activities future lease payments under the capital lease at December 31, 2022, are as follows:

	2023	\$ 211,728
	2024	152,207
	2025	123,773
	2026	3,921
Less: Amount representing interest		(12,996)
Present value of future minimum lease payments		\$ 478,633

The Business-Type Activities future lease payments under the capital lease at December 31, 2022, are as follows:

	2023	\$ 71,278
	2024	71,278
	2025	58,370
	2026	19,113
Less: Amount representing interest		(7,801)
Present value of future minimum lease payments		\$ 212,238

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 6: INTERFUND BALANCE AND TRANSFERS**

The composition of interfund transfers for the year ended December 31, 2022, was as follows:

<u>Interfund Transfer</u>	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General fund	\$ 62,753	\$ 1,696,998
Capital improvement fund	-	53,381
ARPA fund	1,699,807	-
Non-major funds		58,781
Water and sewer fund	500,000	1,561,852
Electric fund	<u>1,108,452</u>	<u>-</u>
Total	<u>\$ 3,371,012</u>	<u>\$ 3,371,012</u>

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

**NOTE 7: LOAN RECEIVABLE**

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

2023	\$ 36,155
2024	31,273
2025	30,000
2026	<u>22,500</u>
	<u>\$ 119,928</u>

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 8: RENTAL INCOME**

The Town adopted GASB 87 effective January 1, 2022, adjustments for lease assets and liabilities did not result in a change to the net position. As of December 31, 2022, there were no impaired lease assets. When a contract contains a lease or a lease contains a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), the Town records a lease receivable and a deferred inflow of resources which is calculated based on the discounted value of future lease payments over the term of the lease. Whenever the interest rate implicit in the lease is not explicit, the Town may apply the guidance for imputation of interest as a means of determining the interest rate. The Town currently had the following significant lease agreements during the year ended December 31, 2022:

The first lease is with Warcko, Inc. and Blue Earl Brewing Company, LLC for the lease of an 11,525 square foot property. The lease was entered into effective June 1, 2020 and expires on May 31, 2025, with an option to extend an additional five years. Monthly payments on this lease began on June 1, 2020, in the amount of \$3,602, and the amount increases \$2,881 per year until the end of the lease term. Lease revenue recognized for this lease in 2022 totaled \$53,449.

The second lease arrangement is with Cellco Partnership (doing business as Verizon Wireless) for the lease of land and easement rights on Town property to facilitate the installation and maintenance of utility poles, cables, and other infrastructure. The lease was entered into effective January 26, 2015 and originally terminated on January 25, 2020, with an automatic extension for four additional five-year terms, unless one of the parties elects to terminate the agreement in writing. The lease currently terminates on January 25, 2025. The lease calls for annual payments to be made in the amount of \$26,400 beginning in 2015 and increases 3% each year. Lease revenue recognized for this lease in 2022 totaled \$37,304.

The third lease arrangement is with DG Amp Solar, LLC for the purpose of placing a solar photovoltaic electronic generating facility on Town property. The lease was entered into effective October 13, 2017 and terminates on October 12, 2052. The lease calls for annual payments to be made in the amount of \$7,750 beginning in 2017 and will increase at various times during the lease term for a total amount up to \$21,700. Lease revenue recognized for this lease in 2022 totaled \$10,196.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 8: RENTAL INCOME - CONTINUED**

The following is a schedule of minimum future annual lease income for the rental lease agreements:

	Principal	Interest
2023	\$ 66,378	\$ 27,026
2024	71,736	25,553
2025	76,513	23,968
2026	80,928	22,288
2027	87,848	20,511
2028 - 2032	337,822	76,136
2033 - 2037	250,294	48,771
2038 - 2042	156,029	23,365
2043 - 2047	78,763	14,237
2048 - 2051	82,305	4,494
	\$ 1,288,616	\$ 286,349

**NOTE 9: FUND BALANCE**

As of December 31, 2022, fund balances are composed of the following:

	General Fund	Capital Improvement Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory	\$ 29,946	\$ -	\$ -	\$ -	\$ 29,946
Prepaid Expenses	113,325	-	-	-	113,325
Lease Receivable	26,586	-	-	-	26,586
Restricted					
Library	137,500	-	-	-	137,500
Police	-	-	-	47,995	47,995
Public works	-	-	-	1,530,024	1,530,024
ARPA	-	-	1,646	-	1,646
Committed					
Budget Reserve	-	-	-	-	-
Capital projects	1,751,469	-	-	-	1,751,469
Unassigned	(332,523)	(1,078,339)	-	-	(1,410,862)
Total fund balances	\$ 1,726,303	\$ (1,078,339)	\$ 1,646	\$ 1,578,019	\$ 2,227,629

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 9: FUND BALANCE - CONTINUED**

During 2013, the Town established a Budget Reserve Account as passed by Town Ordinance. The Budget Reserve Account will be \$3,000,000 or 10% of the General Fund operating budget (excluding extraordinary or one-time items), whichever is greater. As of December 31, 2022, the Budget Reserve Account had a balance of \$0. As of December 31, 2022, the Town had a \$1,751,469 fund balance committed to capital projects.

**NOTE 10: NET INVESTMENT IN CAPITAL ASSETS**

A schedule of net investment in capital assets as of December 31, 2022, is as follows:

Governmental activities	
Total capital assets, net	\$ 27,560,880
Less: outstanding debt	<u>(6,489,794)</u>
Total net investment in capital assets	<u><u>\$ 21,071,086</u></u>
Business-type activities:	
Total capital assets, net	\$ 51,263,611
Less: outstanding debt	<u>(15,479,961)</u>
Total net investment in capital assets	<u><u>\$ 35,783,650</u></u>

**NOTE 11: DEFINED BENEFIT PENSION PLANS**

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

The Town administers the assets of the two single-employer defined benefit plans and, accordingly, is required to prepare pension trust fund financial statements, using the accrual basis of accounting.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 11: DEFINED BENEFIT PENSION PLANS - CONTINUED**

Separate pension fund financial statements for each plan have not been issued; accordingly, they are presented as required by the GASB Codification as follows:

**COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2022**

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 321,360	\$ 735,155	\$ 1,056,515
Prepaid expense	24,895	40,903	65,798
Accounts receivable	-	60,825	60,825
Interest receivable	-	-	-
Investments, at fair value			
Mutual funds	714,673	5,923,226	6,637,899
Fixed income	-	2,032,536	2,032,536
Exchange-traded funds	-	454,478	454,478
Insurance contracts	1,346,155	562,177	1,908,332
<b>TOTAL ASSETS</b>	<b>\$ 2,407,083</b>	<b>\$ 9,809,300</b>	<b>\$ 12,216,383</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 134,073	\$ 74,814	\$ 208,887
<b>NET POSITION</b>			
Restricted for pension benefits	2,273,010	9,734,486	12,007,496
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,407,083</b>	<b>\$ 9,809,300</b>	<b>\$ 12,216,383</b>

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 11: DEFINED BENEFIT PENSION PLANS - CONTINUED**

**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Police Pension Trust Fund	Employee Pension Trust Fund	Totals
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer contribution	\$ 83,400	\$ 670,048	\$ 753,448
Employee contribution	19,308	40,905	60,213
<b>Total Contributions</b>	<u>102,708</u>	<u>710,953</u>	<u>813,661</u>
<b>Investment income</b>			
Interest and dividends	92,535	247,388	339,923
Net appreciation (depreciation) in fair value of investments	<u>(193,089)</u>	<u>(1,881,309)</u>	<u>(2,074,398)</u>
<b>Total Investment Income</b>	(100,554)	(1,633,921)	(1,734,475)
Less: investment expense	<u>21,926</u>	<u>95,763</u>	<u>117,689</u>
<b>Net Investment Income</b>	<u>(122,480)</u>	<u>(1,729,684)</u>	<u>(1,852,164)</u>
<b>TOTAL ADDITIONS</b>	<u>(19,772)</u>	<u>(1,018,731)</u>	<u>(1,038,503)</u>
<b>DEDUCTIONS</b>			
Benefits paid	427,869	531,305	959,174
Administrative expenses	<u>3,459</u>	<u>3,750</u>	<u>7,209</u>
<b>TOTAL DEDUCTIONS</b>	<u>431,328</u>	<u>535,055</u>	<u>966,383</u>
<b>CHANGE IN NET POSITION</b>	(451,100)	(1,553,786)	(2,004,886)
<b>NET POSITION, Beginning of Year</b>	<u>2,724,110</u>	<u>11,288,272</u>	<u>14,012,382</u>
<b>NET POSITION, End of Year</b>	<u>\$ 2,273,010</u>	<u>\$ 9,734,486</u>	<u>\$ 12,007,496</u>

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS**

*Town Police Pension Plan*

Plan Description and Provisions

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

The Town’s Police Pension Plan (“Police Plan”) is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. Police officers are required to contribute 7% of compensation (base earnings plus longevity) beginning July 1, 2011, accumulated at an annual compound rate of interest of 5% per year. During 2017, the Town began participating in the State of Delaware Public Employees Retirement System County and Municipal Police and Firefighters’ Pension Plan (“DPERS”). At the end of 2016, based on an agreement between the Town and the Fraternal Order of Police, five officers who were transferred to DPERS returned to the Town’s Police Pension Plan as active members; in future years, these five officers will be required to contribute to the Plan based on the requirements described above. The Town is required to contribute at an actuarially determined rate. In 2022, the police officer contributions totaled \$19,308. Employer contributions to the plan totaled \$83,400 in 2022.

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

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

As of January 1, 2022, the date of the most recent actuarial report, Plan membership consisted of the following:

Active employees	5
Terminated vested participants	3
Retirees and beneficiaries currently receiving benefits	14
	22
	22

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

Plan benefit provisions are as follows:

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

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

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

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

There is no provision for early retirement.

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

**Valuation of Investments**

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

The Police Plan's unallocated insurance contracts are valued at withdrawal value. Withdrawal value represents the amount which was available for withdrawal in a lump sum as of December 31, 2022, before assessment of any outstanding service fees calculated using the current basis for computing Market Value Adjustments for the contracts. The Police Plan's allocated insurance contracts are valued at contract value. Contract value represents the amount held under the contract for the purchase of annuities and for the payment of administrative expenses charged by the insurance company.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Police Plan's deposits may not be returned. At December 31, 2022, the carrying amount of the Police Plan's deposits was \$321,360 and the bank balance was \$321,360. Of this amount, \$8,319 was insured or registered and the securities held by the Town or its agent in the Town's name, and \$313,041 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 Police Plan is to maintain a balanced portfolio comprised of equity, fixed income, and cash-equivalent securities and, as such, is intended to be structured less aggressively than speculative portfolios.

As of December 31, 2022, the Plan had the following investments:

<u>Investments Held at Fair Value</u>	<u>Fair Value</u>	<u>Level 1</u>
Mutual and exchange trade funds	\$ 714,673	\$ 714,673
Exchange traded funds	-	-
	714,673	<u>\$ 714,673</u>
 <u>Investments Measured at Contract Value</u>		
Fixed income insurance contracts	1,346,155	
	<u>\$ 2,060,828</u>	

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

Administrative Costs

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

Funding Policy

The Town intends to continue to fund the actuarially determined contribution (“ADC”) as provided for in the actuarial valuation. The ADC is based on the parameters set forth in the actuarial valuation report as of January 1, 2022, in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards. The funding may be impacted by differences in actual experience and the actuarial assumptions. The employer contributions are considered by the actuaries in their determination of the actuarially determined contribution. The actuarially determined contribution conforms to the entry age normal cost method as defined in the GASB Codification. For the year ended December 31, 2022, the ADC was \$702,274.

Asset Allocation and Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and asset correlation. The asset allocation as of December 31, 2022, and best estimates of arithmetic real rates of return for each major asset class, excluding the fixed income insurance contracts, are summarized in the following table:

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Cash	1.0%	2.9%
Fixed income	70.5%	4.7%
Mutual funds	24.8%	8.6%
Real Estate Investment Trusts	2.3%	8.8%
Commodities	1.4%	5.3%
	<u>100.0%</u>	

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

Discount Rate

The single equivalent resulting discount rate is 3.82%, which was changed from the 2021 discount rate of 2.19%. The Police Plan's discount rate was changed because the Plan's Fiduciary net position was not projected to be available to make all projected future benefit payments. The Municipal Bond rate as of December 31, 2022 was 3.72%.

Net Pension Liability

The Police Plan's net pension liability was determined using a measurement date of December 31, 2022. The total pension liability was determined by an actuarial valuation as of January 1, 2022, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date. The net pension liability of \$7,725,090 is measured as the difference between the total pension liability of \$9,999,000 and the fiduciary net position of \$2,273,010.

The components of the net pension liability of the Plan at December 31, 2022, are as follows:

Total pension liability	\$	9,999,000
Fiduciary net pension		<u>2,273,010</u>
Net pension liability	\$	<u>7,725,990</u>
Plan fiduciary net pension as a percentage of the total pension liability		22.73%

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

The Town's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2022, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2021	\$ 12,479,000	\$ 2,724,110	\$ 9,754,890
Changes for the year			
Service cost	273,112	-	273,112
Interest on total pension liability	274,611	-	274,611
Effect of economic/demographic gains or losses	259,319	-	259,319
Effect of assumption changes or inputs	(2,859,173)	-	(2,859,173)
Benefits payments	(427,869)	(427,869)	-
Employer contributions	-	83,400	(83,400)
Member contributions	-	19,308	(19,308)
Net investment income	-	(122,480)	122,480
Administrative expenses	-	(3,459)	3,459
Net changes	(2,480,000)	(451,100)	(2,028,900)
Balance at December 31, 2022	\$ 9,999,000	\$ 2,273,010	\$ 7,725,990

As of December 31, 2022, the net pension liability of \$7,725,990 is a liability related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position.

Sensitivity Analysis

The following presents the net pension liability of the Pension Plan for Full-Time Policemen of the Town of Smyrna, calculated using the discount rate of 3.82%, as well as what the Town of Smyrna's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.82%) or 1 percentage point higher (4.82%) than the current rate.

	1% Decrease 2.82%	Current Discount Rate 3.82%	1% Increase 4.82%
Net pension liability	\$ 9,348,990	\$ 7,725,990	\$ 6,425,990

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

Money-Weighted Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on the Police Plan investments, net of investment expense was -4.94%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

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

For the year ended December 31, 2022, the Police Plan recognized a net negative pension expense of \$412,510. At December 31, 2022, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Change of assumptions	\$ -	\$ 1,429,586
Differences between actual and expected experience	129,659	-
Differences between actual and projected investment returns	224,011	-
Total Deferred Outflows	\$ 353,670	\$ 1,429,586

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

Year Ending December 31	
2023	\$ (1,248,438)
2024	62,524
2025	62,795
2026	47,203
	\$ (1,075,916)

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

The following actuarial methods and assumptions were used in the January 1, 2022 actuarial valuation.

Actuarial Methods and Significant Assumptions	
Valuation date	January 1, 2022
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization method	14 years as of Jan. 1, 2022
Amortization period	Closed
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	5.50%, net of investment expense including inflation of 3.00%
Discount rate	3.82%
Projected salary increases	Varies by years of employment. Underlying 3% wage inflation reflecting wage progression and longevity increases.
Cost of living adjustments	None
Changes in actuarial assumptions or methods	Mortality improvement scale was updated from Scale MP-2020 to Scale MP-2021.
Mortality	PUBS-2010 Mortality Tables for Public Safety employees projected on a generational basis using Scale MP-2021, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date.
Discount Rate	The discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient to make projected benefit payments.
Funded benefits discount rate	5.50%
Unfunded benefits discount rate	3.72% - at the Bond Buyer General Obligation 20-Year Bond Municipal Bond Index

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

The above information regarding the Plan was taken from the January 1, 2022 Actuarial Valuation presented by Milliman, Inc., dated September 28, 2023.

***County and Municipal Police and Firefighters' Pension Plan***

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

**Plan Description**

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

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

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

At December 31, 2022, the Town's membership in this plan is comprised of 24 active employees, including nine employees that are vested.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

Benefits Provided

*Service Benefits*

The DPERS Police Plan's service benefits calculation is 2.5% of the final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation (excluding overtime and special pay). Vesting is at five years of credited service, and retirement age is 62 with five years of service; age plus credited service (but not less than ten years) equals 75 or 20 years of credited service.

*Disability Benefits*

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

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

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

*Survivor Benefits*

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

*Contributions*

Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 16.03% for the period January to June 2022, and 11.34% for the period June to December 2022. The Town's contributions of \$270,044 for 2022 were equal to the required contribution for the year. Total eligible full-time wages covered by the DPERS Police Plan for the year totaled \$2,014,705.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

*Contributions - Continued*

Member contributions are established at 7% of covered wages.

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

At December 31, 2022, the Town reported an asset of \$182,621 for its proportionate share of the collective net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2021, with updated procedures used to roll forward the total pension asset to June 30, 2022. The Town's proportionate share of the net pension asset was based on the percentage of actual contributions and was measured as the difference between its proportionate share of the total pension liability \$9,352,894 and its proportionate share of the DPERS Police Plan's fiduciary net position \$9,535,512. As of December 31, 2022, the Town's proportionate share of the net pension asset of \$182,621 is an asset related to the governmental funds and is only recorded in the governmental activities in the government-wide statement of net position. At June 30, 2022, the Town's proportion of the collective net pension liability was 1.74%.

For the year ended December 31, 2022, the DPERS Police Plan recognized a pension expense of \$36,322. At December 31, 2022, the Town reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Difference between actual and expected experience	\$ 75,929	\$ 310,610
Difference between actual and expected investment returns	-	302,579
Changes of assumptions	148,272	65,705
Changes in proportions	74,067	32,664
Contributions made subsequent to the measurement date	-	127,941
	<u>\$ 298,268</u>	<u>\$ 839,499</u>

Deferred outflows resulting from the Town's contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ending December 31, 2023.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

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

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

<u>Year Ending December 31</u>	
2023	\$ (16,926)
2024	(45,247)
2025	(5,527)
2026	481,283
2027	19,042
Thereafter	<u>(19,335)</u>
	<u>\$ 413,290</u>

The following actuarial methods and assumptions were used in the June 30, 2022, actuarial valuation.

<u>Actuarial Methods and Significant Assumptions</u>	
Investment rate of return	7.00%
Discount rate	7.00%
Inflation rate	2.50%
Projected salary increase	2.50% plus merit
Cost of living adjustments	0.00%
Mortality	Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees as well as an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

Asset Allocation and Long-term Expected Rate of Return

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

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

Category Allocation	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	31.80%	5.70%
International equity	15.00%	5.70%
Fixed income	23.60%	2.00%
Alternative investments	21.50%	7.80%
Cash and equivalents	8.10%	0.00%
	100%	

Discount Rate

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 12: POLICE PENSION PLANS - CONTINUED**

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

The following presents the net pension liability of the DPERS Police Pension Plan, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (asset)	\$ 1,215,048	\$ (182,621)	\$ (1,321,434)

Plan Fiduciary Net Position

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

**NOTE 13: EMPLOYEES' PENSION PLANS**

***Town Employee Pension Plan***

Plan Description and Provisions

The Town's Full-Time Employees Pension Plan ("Employee Plan") is a single-employer defined benefit pension plan established to provide a retirement income to supplement the benefits payable under Social Security. Union participants are required to contribute 3% of annual compensation in excess of \$6,000 on or after January 1, 2013. Non-union participants are required to contribute 2.5% of annual compensation in excess of \$10,000 on or after January 1, 2013. Contributions are accumulated at an annual compound rate of interest of 5% per year. Employee contributions totaled \$40,905 in 2022. The Town is required to contribute an actuarially determined rate. The employer contribution totaled \$670,048 in 2022.

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*Town Employee Pension Plan - Continued*

Plan Description and Provisions - Continued

The Employee Plan is administered by the Committee ("Plan Administration"), which is comprised of the Mayor and Town Council. The Committee is fully responsible for the Employee 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 LPL Financial as of December 31, 2022.

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

As of January 1, 2022, the date of the most recent actuarial report, Employee Plan membership consisted of the following:

Active employees	24
Terminated vested participants	18
Retirees and beneficiaries currently receiving benefits	33
	75
	75

Plan benefit provisions are as follows:

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

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

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*Town Employee Pension Plan - Continued*

Plan Description and Provisions - Continued

The Employee Plan provides for normal retirement at age 65 and completion of five 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.

Basis of Accounting

The Employee 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 Employee Plan.

Valuation of Investments

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

The plan's unallocated insurance contracts are valued at withdrawal value. Withdrawal value represents the amount which was available for withdrawal in a lump sum as of December 31, 2022, before assessment of any outstanding service fees calculated using the current basis for computing Market Value Adjustments for the contracts. The Employee Plan's allocated insurance contracts are valued at contract value. Contract value represents the amount held under the contract for the purchase of annuities and for the payment of administrative expenses charged by the insurance company.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*Town Employee Pension Plan - Continued*

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Employee Plan's deposits may not be returned. At December 31, 2022, the carrying amount of the Employee Plan's deposits was \$735,155, and the bank balance was \$735,155. Of this amount, \$280,737 was insured or registered and the securities held by the Town or its agent in the Town's name, and \$454,418 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 Employee Plan is to maintain a balanced portfolio comprised of equity, fixed income, and cash-equivalent securities and, as such, is intended to be structured less aggressively than speculative portfolios.

As of December 31, 2022, the Employee Plan had the following investments:

<u>Investments Held at Fair Value</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Mutual funds	\$ 5,923,226	\$ 5,923,226	\$ -
Exchange-traded funds	454,478	454,478	-
Fixed Income	2,032,536	-	2,032,536
	<u>8,410,240</u>	<u>\$ 6,377,704</u>	<u>\$ 2,032,536</u>
<u>Investments Measured at Contract Cost</u>			
Fixed income insurance contracts	<u>562,177</u>		
	<u>\$ 8,972,417</u>		

Investments in external investment pools, such as those in mutual funds and fixed income insurance contracts, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2022, the Employee Plan's fixed income investments had the following risk characteristics:

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*Town Employee Pension Plan - Continued*

Funding Policy

The Town intends to continue to fund the ADC as provided for in the actuarial valuation. The ADC is based on the parameters set forth in the actuarial valuation report as of January 1, 2022, in accordance with the GASB Codification. The funding may be impacted by differences in actual experience and the actuarial assumptions. The employer contributions are considered by the actuaries in their determination of the actuarially determined contribution. The actuarially determined contribution conforms to the entry age normal cost method as defined in the GASB Codification. For the year ended December 31, 2022, the ADC was \$318,380.

Asset Allocation and Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and asset correlation. The asset allocation as of December 31, 2022, and best estimates of arithmetic real rates of return for each major asset class, excluding the fixed income insurance contract, are summarized in the following table:

<u>Category Allocation</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	1.88%	2.99%
Fixed Income	38.90%	5.03%
Mutual Funds	51.61%	8.11%
Real Estate Investment Trusts	4.70%	8.79%
Commodities	2.91%	1.86%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Town's total pension liability is 6.25%, an increase from the December 31, 2021, rate of 5.21%. The Employee Plan's fiduciary net position not was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the Employee Plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*Town Employee Pension Plan - Continued*

Net Pension Liability

The Employee Plan's net pension liability was determined using a measurement date of December 31, 2022. The total pension liability was determined by an actuarial valuation as of January 1, 2022, calculated based on the discount rate and actuarial assumptions and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. The net pension liability is \$2,320,515 and is measured as the difference between the total pension liability of \$12,054,999 and the fiduciary net position of \$9,734,485. The components of the net pension liability of the Employee Plan at December 31, 2022, are as follows:

Total pension liability	\$ 12,054,999
Fiduciary net position	<u>9,734,485</u>
Net pension liability	<u>\$ 2,320,514</u>
Plan fiduciary net position as a percentage of the total pension liability	80.75%

The Employee Plan's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2022, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2021	\$ 13,255,000	\$ 11,288,272	\$ 1,966,728
Changes for the year:			
Service cost	199,431	-	199,431
Interest on total pension liability	687,311	-	687,311
Effect of economic or demographic gains or losses	101,031	-	101,031
Effect of assumption changes or inputs	(1,656,469)	-	(1,656,469)
Benefit payments	(531,305)	(531,305)	-
Employer contributions	-	670,048	(670,048)
Member contributions	-	40,905	(40,905)
Net investment income	-	(1,729,683)	1,729,683
Administrative expenses	-	(3,752)	3,752
Net Changes	<u>(1,200,001)</u>	<u>(1,553,787)</u>	<u>353,786</u>
Balance at December 31, 2022	<u>\$ 12,054,999</u>	<u>\$ 9,734,485</u>	<u>\$ 2,320,514</u>

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*Town Employee Pension Plan - Continued*

Net Pension Liability - Continued

As of December 31, 2022, \$1,135,182 of the net pension liability is a liability related to the governmental funds and is recorded in the government-wide statement of net position. The remaining \$1,185,333 of the net pension liability is recorded as a liability in the Water and Sewer Fund for \$580,038 and in the Electric Fund for \$605,295 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

Sensitivity Analysis

The following presents the net pension liability of the Pension Plan for Full-Time City Employees of the Town of Smyrna, calculated using the discount rate of 6.25%, as well as what the Town of Smyrna's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate.

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Net pension liability	\$ 3,907,515	\$ 2,320,514	\$ 994,515

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, 2022, the annual money-weighted rate of return on the Employee Plan investments, net of investment expense was -15.62%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*Town Employee Pension Plan - Continued*

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

For the year ended December 31, 2022, the Town recognized pension expense of \$46,664. At December 31, 2022, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between actual and expected experience	\$ 117,679	\$ -
Change of assumptions	31,304	1,104,313
Difference between actual and projected investment returns	1,428,656	-
Total Deferred Outflows and Inflows	\$ 1,577,639	\$ 1,104,313

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

<u>Year Ending December 31</u>	
2023	\$ (239,178)
2024	(176,279)
2025	422,828
2026	465,955
	\$ 473,326

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*Town Employee Pension Plan - Continued*

The following actuarial methods and assumptions were used in the January 1, 2022, funding valuation.

Actuarial Methods and Significant Assumptions	
Valuation date	January 1, 2022
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	14 year (15 years as of January 1, 2022).
Amortization method	Closed
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	6.25%
Discount rate	6.25% - Increased from 5.21% at December 31, 2021
Projected salary increases	3.5% Compensation is based on assumed inflation of 2.3% per year plus assumed productivity growth of 0.8% per year plus assumed merit raises of 0.4%
Cost of living adjustments	0.00%
Mortality	The mortality rates from the PRI-2012 Mortality Tables were projected with Mortality Improvement Scale MP-2021 on a generational basis, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date.

The above information regarding the Employee Plan was taken from the January 1, 2022 Actuarial Valuation presented by Milliman, Inc., dated September 28, 2023.

*County and Municipal Other Employees' Pension Plan*

Plan Description

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*County and Municipal Other Employees' Pension Plan - Continued*

Plan Description - Continued

enacted legislation to provide for the plan and is responsible for setting benefits, contributions, and amending plan provisions.

This is a contributory plan with the employee contributing 3% of earnings in excess of \$6,000. For the year ended December 31, 2022, \$2,692,843 in payroll earnings were reported to and covered by the plan.

The Town's contribution percentages were 6.78% for the period January 1, 2022 through June 30, 2022, and 5.55% for the period July 1, 2022 through December 31, 2022. The Town's contributions to the plan for the year ended December 31, 2021, totaled \$165,329 and were equal to the required contributions for the year. These contributions cover the Town's total liability funding, as determined by the State of Delaware's actuary.

As of December 31, 2022, the Town's membership in this plan is comprised of 49 active employees, of which 11 employees are vested.

Benefits Provided

The plan's benefit provisions are as follows:

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

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

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

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

Employer contributions - employer contributions are determined by the Board of Pension Trustees. Employer contributions were 6.78% and 7.29% of earnings for plan fiscal years 2022 and 2021, respectively.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*County and Municipal Other Employees' Pension Plan - Continued*

Employee contributions - employees contribute 3% of earnings in excess of \$6,000.

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

At December 31, 2022, the Town reported an asset of \$28,915 for its proportionate share of the collective net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2022. The Town's proportionate share of the net pension asset was based on the percentage of actual contributions, and was measured as the difference between its proportionate share of the total pension liability \$3,667,783 and its proportionate share of the DPERS Employee Plan's fiduciary net position (\$3,696,688). At June 30, 2022, the Town's proportion of the collective net pension liability was 4.26%.

As of December 31, 2022, \$21,431 of the net pension asset is an asset related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position. The remaining \$4,985 of the net pension asset is recorded as an asset in the Electric Fund and in the Water and Sewer Fund for \$2,499 in the proprietary funds statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended December 31, 2022, the Town recognized a government-wide pension expense of \$82,077 related to the DPERS Employee Plan. At December 31, 2022, the Town reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between actual and expected experience	\$ 111,324	\$ 46,662
Difference between actual and expected investment returns	130,118	-
Changes of assumptions	30,054	23,054
Changes in proportions	30,129	16,161
Contributions made subsequent to the measurement date	77,818	-
	\$ 379,443	\$ 85,877

Deferred outflows resulting from the Town's contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ending December 31, 2022.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*County and Municipal Other Employees' Pension Plan - Continued*

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

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

<u>Year Ending December 31</u>	
2023	\$ 15,601
2024	2,097
2025	(823)
2026	180,070
2027	7,591
Thereafter	<u>11,212</u>
	<u>\$ 215,748</u>

The following actuarial methods and assumptions were used in the June 30, 2022, actuarial valuation.

<u>Actuarial Methods and Significant Assumptions</u>	
Investment rate of return	7.00%
Discount rate	7.00%
Inflation rate	2.50%
Projected salary increase	2.50% plus merit
Cost of living adjustments	0.00%
Mortality	Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees as well as an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*County and Municipal Other Employees' Pension Plan - Continued*

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

Asset Allocation and Long-Term Expected Rate of Return

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

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

Category Allocation	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	31.8%	5.7%
International equity	15.0%	5.7%
Fixed income	23.6%	2.0%
Alternative investments	21.5%	7.8%
Cash and equivalents	8.1%	0.0%
	100.0%	

Discount Rate

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 13: EMPLOYEES' PENSION PLANS - CONTINUED**

*County and Municipal Other Employees' Pension Plan - Continued*

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

The following presents the net pension asset of the DPERS Employee Pension Plan, calculated using the discount rate of 7.00%, as well as what the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (asset)	\$ 546,333	\$ (28,915)	\$ (498,994)

DPERS Employee Pension Plan Management

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

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

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

	Net Pension Liability	Net Pension Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Police (See note 12)	\$ 7,725,990	\$ -	\$ 353,670	\$ 1,429,586	\$ (412,510)
DPERS Police (See note 12)	-	182,621	839,499	298,268	36,322
Employee (See note 13)	2,320,514	-	1,577,639	1,104,313	46,664
DPERS Employee (See note 13)	-	28,915	379,443	85,877	82,077
	\$ 10,046,504	\$ 211,536	\$ 3,150,251	\$ 2,918,044	\$ (247,447)

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

Plan Description

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

**Eligibility Requirement for Healthcare Benefits:**

For full-time non-uniformed employees: Retirement at age 55 with 20 years of service.

For police officers: Retirement with 20 years of service or qualifying disability.

Duration of Healthcare Benefits: Lifetime coverage for retirees and spouses. Surviving spouses are also covered.

**Participant Contributions for Coverage:**

For full-time non-uniformed employees: Retiree does not make a contribution toward the premium. Spouse and surviving spouse contribute the entire difference in premium amount.

For police officers retiring prior to January 1, 2016: Retiree does not make a contribution toward the premium. Spouse contributes 15% of the premium. Surviving spouse contributes the entire premium amount.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

Plan Description - Continued

For police officers retiring on or after January 1, 2016: Effective December 7, 2015, the Town approved a resolution that modified the retiree healthcare provisions. All uniformed police officers retiring after January 1, 2016, will be responsible for all retiree health insurance premiums as outlined in 18 Del. C. § 1928, with the understanding that the County and Municipal Police and Firefighters' Pension Plan will provide premium assistance in accordance with House Bill 213 who participate in the Delaware County Municipal Police/Firefighter Plan.

To the extent that the County and Municipal Police and Firefighters' Pension Plan does not pay 80% of the cost of an individual retiree's health insurance premium, the Town will pay the additional amounts to ensure that 80% of the retiree's health insurance premium is covered. This premium assistance will last for a period not to exceed 10 years or January 1, 2045, whichever occurs first. After this point, no additional premium assistance will be required from the Town.

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

OPEB Plan Membership

Membership in the OPEB plan consisted of the following as of January 1, 2022:

	<u>Non- Uniformed Employees</u>	<u>Police</u>	<u>Total</u>
Active employees	55	24	79
Retirees	11	7	18
Spouses of retirees	1	2	3

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

Funding Policy and Funding Status:

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

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. Postemployment retirement benefits are recognized when paid. Estimated benefit payments for the year ended December 31, 2022, totaled \$252,661.

Actuarial Methods and Significant Assumptions:

Discount Rate: 2.06% per annum as of January 1, 2022 and 3.72% per annum as of December 31, 2022 based on the applicable Bond Buyer General Obligation 20-Bond Municipal Bond Index of 2.06% per annum as of December 31, 2021 and 3.72% per annum as of December 31, 2022.

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

Compensation Increases (Police): Compensation is based on 3.0% wage inflation and reflects wage progression and longevity increases. Increases over a Police Officer's career range from 3% to 6%.

Health Cost Trend: The Society of Actuaries (SOA) developed and regularly updates a long-term medical trend model based on detailed research performed by a committee of economists and actuaries, which included a representative from Milliman. Milliman uses this model as the foundation for the trend that it recommends to our clients for postretirement medical valuations, with certain adjustments designed to produce trends that are appropriate for employer plans. These adjustments include incorporating assumed administrative cost trend and removing the impact of age and gender related morbidity (since age and gender related morbidity assumptions are applied separately in the valuation when applicable). Ultimate trend rates were determined considering historic and projected rates of real growth, long-term inflation and additional growth attributable to technology, and medical costs as a component of gross domestic product (GDP). For purposes of applying the Entry Age Normal cost method, the healthcare trend prior to the valuation date is based on the ultimate rate, which is 3.7% for costs prior to 65 and 3.7% of costs at age 65 and later.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

Monthly Per Capita Claims Cost: Pre-Medicare claim costs were calculated using the average of the reported premiums for the Comprehensive PPO plan option for the periods July 1, 2021 through June 3, 2022 and July 1, 2022 through June 3, 2023. Medicare claim costs were calculated using the reported premiums for the period January 1, 2022 through December 31, 2022. Standard demographics from Milliman’s Health Cost Guidelines (HCGs)1 were used to reflect the average demographic distribution of lives for each medical plan. Age and gender related morbidity factors based on Milliman’s HCGs were used to adjust the average age cost per life into per life costs over a range of ages, separately by gender and status (retiree and dependents), for each of the plans.

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

Health Plan Election: It is assumed that all retirees electing coverage participate in the Comprehensive PPO Plan (pre-Medicare) and Medicfill with Prescription (Medicare).

Retirement Rates

The Town Retirement Rates are as follows:

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

The Town Police Retirement Rates are as follows:

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

Mortality (Non-uniformed): For healthy lives, Pri-2012 Amount-Weighted Mortality Tables, further adjusted to reflect Mortality Improvement Scale MP-2021 from the 2012 base year and projected forward using MP-2021 on a generational basis, with sex-distinct employee rates before benefit commencement and healthy annuitant rates after benefit commencement. For disabled lives, Pri-2012 Amount-Weighted Disabled Mortality Tables, further adjusted to reflect Mortality Improvement Scale MP-2021 from the 2012 base year and projected forward using MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

Mortality (Police): PUBS-2010 Mortality Tables for Public Safety employees projected on a generational basis using Scale MP-2021, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

Changes since Prior Actuarial Valuation: The changes listed below reflect differences from the January 1, 2020 actuarial valuation to the January 1, 2022 actuarial valuation.

- The discount rate was increased from 2.06% per year to 3.72% per year as of December 31, 2022. This discount rate is based on the Bond Buyer GO 20-Year Bond Municipal Bond Index as of December 31, 2022 (3.72%), in accordance with GASB Statements 74 and 75.
- Per capita claims costs and healthcare trend were updated to reflect more recent experience.
- The inflation assumption was updated from 2.2% per year to 2.3% per year.

Actuarial Cost Method

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

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

OPEB Liability

The Town's OPEB liability has been measured as of December 31, 2022. The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB Statement No. 74 and No. 75.

Balance at December 31, 2021	\$ 13,048,000
Service cost	712,476
Interest on total OPEB liability	280,877
Effect of economic/demographic gains or losses	(503,736)
Effect of assumption changes or inputs	(2,769,956)
Benefit payments	(164,761)
Implicit rate subsidy payments	(87,900)
Net Changes	(2,533,000)
Balance at December 31, 2022	\$ 10,515,000

Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the discount rate of 3.72%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.72%) or one percentage point higher (4.72%) than the current rate.

	1% Decrease 2.72%	Discount Rate 3.72%	1% Increase 4.72%
Total OPEB liability	\$ 12,219,000	\$ 10,515,000	\$ 9,124,000

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

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

Sensitivity Analysis - Continued

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 8,852,000	\$ 10,515,000	\$ 12,627,000

OPEB expense and deferred inflows related to OPEB.

For the year ended December 31, 2022, the Town recognized OPEB expense of \$774,432. At December 31, 2022, the Town had deferred inflows of resources related to the OPEB plan from the following source:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 471,492	\$ -
Change in assumptions	2,966,337	1,236,881
Total	\$ 3,437,829	\$ 1,236,881

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

Year Ending December 31	
2023	\$ (218,921)
2024	(218,921)
2025	(218,921)
2026	(218,921)
2027	(218,921)
Thereafter	(1,106,346)
	\$ (2,200,951)

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 16: DEFERRED COMPENSATION PLAN**

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

**NOTE 17: POWER SALES CONTRACTS**

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

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

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

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

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.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 18: COMMITMENTS AND CONTINGENCIES**

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

The Town's investment portfolios have a long-term strategy; however, these investments have experienced increased volatility and significant fluctuations in fair value since December 31, 2022. Such changes in market value and possible changes to the actuarial assumptions used in determining the net pension liability, such as discount rates, rates of retirement, and termination may result in significant changes to the total amount of liability, deferred inflows, deferred outflows, and pension expense in future periods. However, the actual impact, if any, cannot be determined at this time.

Certain conditions may exist as of the date the financial statements are issued which may result in loss to the Town, but which only will be resolved when one or more future events occur or fail to occur. The Town's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Town or unasserted claims that may result in such proceedings, the Town's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims. The Town did not accrue loss contingencies with respect to litigation as of December 31, 2022.

As of the date of the financial statements, the Town has not complied with its responsibility to complete an annual audit and to submit financial information required by its bond and loan agreements to its lender by posting on the Electronic Municipal Market Access. The Town has not submitted its financial statements as required by its agreement. The Town may experience a decreased in its credit rating and other financial losses.

**NOTE 19: RISK MANAGEMENT**

The Town maintains commercial insurance coverage for risk of losses relating to general, automotive, police professionals, public officials, crime, and workers compensation. However, during 2022, the Town joined a public entity risk pool for workers compensation insurance. The public entity risk pool has annual audits, actuarial studies and maintains a self-insurance bond. There have been no other significant changes in coverage and there have been no losses above insurance limits during the past year or the three prior years.

**NOTE 20: UNEARNED REVENUES**

The Town received payments of impact fees totaling \$257,893 in the General Fund that were an enforceable legal claim in 2022, (at the point the fees become nonrefundable). In 2021 there was a balance of \$202,466 that had 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. As of December 31, 2022, \$196,511 remains outstanding and will be recognized over time as it becomes legally enforceable.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 20: UNEARNED REVENUES - CONTINUED**

On March 11, 2021, the Federal government enacted the American Rescue Plan Act of 2021 (ARPA), which included the Coronavirus Local Fiscal Recovery Fund to help local governments respond to and contain the impact of COVID-19. The Town's proportionate share from ARPA funding is \$10,511,293 of which \$3,188,811 was received in 2021 and \$3,188,812 was received in 2022. These federal funds are earned when spent on qualifying expenditures. Qualifying expenditures in 2021 totaled \$831,669 and \$1,924,529 in 2022, leaving an unearned balance of \$3,621,425.

**NOTE 21: MODIFIED OPINION - CASH AND DEFERRED REVENUES**

During the year ended December 31, 2021, the Town received cash receipts of \$135,571 for which management was not able to identify the correct fund and accounts to post the cash receipts. The cash receipts are recorded in the General Fund as Deferred Revenue as of December 31, 2022, because of the absence of adequate identifying financial information.

As of December 31, 2022, the Town was unable to reconcile its cash and cash equivalents resulting in an unreconciled difference of \$113,390. The unreconciled overstatement is included in cash and cash equivalents.

Consequently, the assets, fund balances, net positions, and revenues of the Governmental Activities, General Fund, Capital Improvement Fund, American Rescue Plan Act (ARPA) Fund, Electric Fund, and the Aggregate Remaining Fund Information may be misstated by all or part of the amount of the unidentified cash receipts and unreconciled cash balances.

**NOTE 22: SUBSEQUENT EVENTS**

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

In October 2022, the Town entered a \$5,079,000 contract for the construction of a water tower.

On February 8, 2023, the Town issued general obligation bonds in the amount of \$9,690,000 bearing interest at 4.00% per annum with various maturity dates through 2047.

In December 2023, the Town Council approved a general bond of \$803,000 issued to the State of Delaware Department of Health and Social Services Drinking Water Revolving Loan Fund to finance water infrastructure improvements.

**TOWN OF SMYRNA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 23: CORRECTION OF AN ERROR**

As of January 1, 2022, the Town's Governmental Activities Net Position and Nonmajor Governmental Fund balance have been corrected to report grant revenue in the proper period.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	FOR THE YEAR ENDING DECEMBER 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>									
Service cost	\$ 199,431	\$ 195,805	\$ 259,375	\$ 234,363	\$ 270,693	\$ 294,515	\$ 275,113	\$ 291,036	\$ 307,110
Interest on total pension liability	687,311	662,635	615,698	630,191	594,895	582,060	564,540	530,764	500,216
Effect of economic/demographic (gain) or loss	101,031	150,975	2,320	(215,736)	248,783	(250,777)	135,050	163,217	(34,663)
Effect of assumption changes or inputs	(1,656,469)	93,910	(1,350,400)	1,483,394	-	-	1,032,549	(81,634)	-
Benefit payments	(531,305)	(541,325)	(507,993)	(449,212)	(363,371)	(351,798)	(345,252)	(304,383)	(194,963)
<b>Net change in total pension liability</b>	(1,200,001)	562,000	(981,000)	1,683,000	751,000	274,000	1,662,000	599,000	577,700
<b>Total pension liability, beginning</b>	13,255,000	12,693,000	13,674,000	11,991,000	11,240,000	10,966,000	9,304,000	8,705,000	8,127,300
<b>Total pension liability, ending (a)</b>	<u>\$ 12,054,999</u>	<u>\$ 13,255,000</u>	<u>\$ 12,693,000</u>	<u>\$ 13,674,000</u>	<u>\$ 11,991,000</u>	<u>\$ 11,240,000</u>	<u>\$ 10,966,000</u>	<u>\$ 9,304,000</u>	<u>\$ 8,705,000</u>
<b>FIDUCIARY NET POSITION</b>									
Employer contributions	\$ 670,048	\$ 432,775	\$ 546,486	\$ 529,975	\$ 279,021	\$ 139,510	\$ 136,425	\$ 305,054	\$ 282,736
Member contributions	40,905	41,871	39,676	40,302	46,479	49,954	52,423	56,961	60,579
Investment income (loss) net of investment expenses	(1,729,683)	748,840	841,002	1,167,156	(194,613)	670,461	320,021	(163,460)	83,666
Benefit payments	(531,305)	(541,325)	(507,993)	(449,212)	(363,371)	(351,798)	(345,252)	(304,383)	(194,963)
Administrative expenses	(3,752)	(2,547)	(4,421)	(3,183)	(2,723)	(2,510)	(2,456)	(1,949)	(4,159)
<b>Net change in fiduciary net position</b>	(1,553,787)	679,614	914,750	1,285,038	(235,207)	505,617	161,161	(107,777)	227,859
<b>Fiduciary net position, beginning</b>	11,288,272	10,608,658	9,693,908	8,408,870	8,644,077	8,138,460	7,977,299	8,085,076	7,857,217
<b>Fiduciary net position, ending (b)</b>	<u>\$ 9,734,485</u>	<u>\$ 11,288,272</u>	<u>\$ 10,608,658</u>	<u>\$ 9,693,908</u>	<u>\$ 8,408,870</u>	<u>\$ 8,644,077</u>	<u>\$ 8,138,460</u>	<u>\$ 7,977,299</u>	<u>\$ 8,085,076</u>
<b>Net pension liability [(a) - (b)]</b>	<u>\$ 2,320,514</u>	<u>\$ 1,966,728</u>	<u>\$ 2,084,342</u>	<u>\$ 3,980,092</u>	<u>\$ 3,582,130</u>	<u>\$ 2,595,923</u>	<u>\$ 2,827,540</u>	<u>\$ 1,326,701</u>	<u>\$ 619,924</u>
Plan fiduciary net position as a percentage of the total pension liability	80.75%	85.16%	83.58%	70.89%	70.13%	76.90%	74.22%	85.74%	92.88%
Covered payroll	\$ 1,495,216	\$ 1,473,729	\$ 1,547,114	\$ 1,824,878	\$ 2,027,560	\$ 2,058,343	\$ 2,293,689	\$ 2,367,385	\$ 2,446,089
Net pension liability as a percentage of covered payroll	155.20%	133.45%	134.72%	218.10%	176.67%	126.12%	123.27%	56.04%	25.34%
Annual money-weighted return, net of investment expenses	-15.62%	7.08%	8.72%	13.86%	-2.26%	8.37%	4.07%	-2.02%	1.05%

**Notes to Schedule:**

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

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

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

<b>PROPORTIONATE SHARE OF NET PENSION LIABILITY AS OF DECEMBER 31,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Reporting Date Measurement	June 30, 2021	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Town's proportionate share of the net pension liability	1.74%	1.46%	1.56%	1.41%	1.48%	1.76%	1.00%
Town's proportion of the net pension liability (asset) - dollar value	\$ (182,621)	\$ (2,015,707)	\$ 239,640	\$ 403,856	\$ 341,272	\$ 177,377	\$ 158,206
Covered payroll - plan year	1,718,732	1,406,747	1,417,054	1,235,452	1,230,633	1,445,647	725,116
Town's proportionate share of the net pension liability as a percentage of its covered payroll	-10.63%	-143.29%	16.91%	32.69%	27.73%	12.27%	21.82%
Plan fiduciary net position as a percentage of the total pension liability	-101.95%	-128.19%	96.67%	93.25%	94.10%	97.00%	94.70%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a 10-year trend is available.

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

<b>PROPORTIONATE SHARE OF NET PENSION LIABILITY AS OF DECEMBER 31,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Measurement Date - June 30,	2022	2021	2020	2019	2018	2017	2016
Town's proportionate share of the net pension liability	4.26%	3.71%	2.56%	2.46%	2.57%	2.57%	2.01%
Town's proportion of the net pension liability (asset) - dollar value	\$ (28,915)	\$ (777,082)	\$ 54,375	\$ 112,865	\$ 80,815	\$ 166,558	\$ 124,341
Covered payroll	\$ 2,573,457	\$ 1,987,058	\$ 1,248,140	\$ 1,094,405	\$ 931,631	\$ 928,386	\$ 537,427
Town's proportionate share of the net pension liability as a percentage of its covered payroll	-1.12%	-39.11%	4.36%	10.31%	8.67%	17.94%	23.14%
Plan fiduciary net position as a percentage of the total pension liability	-100.79%	-127.56%	96.95%	92.74%	94.41%	87.62%	86.38%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. The Town began participating in this Plan effective January 1, 2015; however, during 2015, the Town determined that the net pension liability and related deferred inflows and outflows of resources related to this Plan were immaterial to the financial statements taken as a whole and were, therefore, excluded from the financial statements. This schedule will accumulate each year until sufficient information to present a 10-year trend is available.

**TOWN OF SMYRNA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2013	\$ 710,437	\$ 710,785	\$ (348)	\$ 1,343,083	52.92%
2014	818,964	743,174	75,790	1,381,065	53.81%
2015	716,636	480,531	236,105	N/A	N/A
2016	408,482	49,032	359,450	315,474	15.54%
2017	567,678	-	567,678	320,586	0.00%
2018	710,828	-	710,828	334,369	0.00%
2019	875,245	-	875,245	336,232	0.00%
2020	1,086,016	60,000	1,026,016	403,437	14.87%
2021	624,614	50,712	573,902	433,394	11.70%
2022	702,274	83,400	618,874	453,507	18.39%

**Notes to Schedule:**

Valuation date	January 1, annually
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	14 years (15 years starting January 1, 2021)
Amortization period	Closed
Asset valuation method through 2019	Current market value plus employer contributions expected to be made in the current year, discounted back to the current valuation date using the plan's investment rate of return assumption.
Asset valuation method through 2022	Market value

**Actuarial assumptions:**

Investment rate of return	5.50%
Discount rate	3.82% in 2022; 2.19% in 2021.
Projected salary increases	Varies by years of employment. Underlying 3% wage inflation reflecting wage progression and longevity increases.
Cost of living adjustments	N/A

**Mortality - 2019 through 2022:** PUBS-2010 Mortality Tables for Public Safety employees projected on a generational basis using Scale MP-2021, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date.

**Mortality - Through 2018:** RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for pre-retirement.

**TOWN OF SMYRNA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - EMPLOYEE PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**

<b>Fiscal Year Ended December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
2013	\$ 457,790	\$ 515,445	\$ (57,655)	\$ 2,430,423	21.21%
2014	314,213	282,736	31,477	2,446,089	11.56%
2015	272,580	305,054	(32,474)	2,367,385	12.89%
2016	377,097	136,425	240,672	2,293,689	5.95%
2017	514,622	139,510	375,112	2,058,343	6.78%
2018	616,041	279,021	337,020	2,027,560	13.76%
2019	589,907	529,975	59,932	1,824,878	29.04%
2020	683,125	546,486	136,639	1,547,114	35.32%
2021	775,017	432,775	342,242	1,473,729	29.37%
2022	318,380	670,048	(351,668)	1,495,216	44.81%

**Notes to Schedule:**

Valuation date	January 1, annually
Actuarial cost method	Entry Age Normal (GASB Statement No. 67 version)
Amortization method	Level Dollar Amortization
Remaining amortization period	14 years (15 years starting January 1, 2021)
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 - 2021 through 2022	6.25%
Investment rate of return - 2020	5.25%
Investment rate of return - 2019	4.50%
Investment rate of return - through 2018	5.25%
Discount rate - 2022	6.25%
Discount rate - 2021	5.21%
Discount rate - 2020	5.25%
Discount rate - 2019	4.50%
Discount rate - through 2018	5.25%
Projected salary increases	3.50%
Cost of living adjustments	0.00%

**Mortality - 2020 through 2022:** The mortality rates from the PRI-2012 Mortality Tables were projected with Mortality Improvement Scale MP-2021 on a generational basis, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date. The Mortality Tables and Scale were updated to the 2021 version for the December 31, 2022 measurement.

**Mortality - 2019:** The mortality rates from the 2006 base year of the RP-2014 Mortality Tables were projected with Mortality Improvement Scale MP2019 on a generational basis, with employee rates before termination and healthy annuitant rates after termination and disabled rates for disabled participants. As a generational table, it reflects mortality improvements both before and after the measurement date.

**Mortality - Through 2018:** RP-2000 Combined Healthy Annuitant Mortality projected on a generational basis using Scale AA. The Combined Employee table is used for pre-retirement.

**TOWN OF SMYRNA**  
**SCHEDULE OF TOWN CONTRIBUTIONS**  
**COUNTY AND MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 270,044	\$ 245,448	\$ 237,937	\$ 230,454	\$ 173,357	\$ 161,375	\$ 207,487
Contributions in relation to the contractually required contribution	<u>270,044</u>	<u>245,448</u>	<u>237,937</u>	<u>230,454</u>	<u>173,357</u>	<u>161,375</u>	<u>207,487</u>
Contribution excess	<u>\$ -</u>						
Covered payroll - Town year	\$ 2,014,705	\$ 1,499,797	\$ 1,416,778	\$ 1,362,282	\$ 1,235,825	\$ 1,275,598	\$ 1,700,501
Contributions as a percentage of covered payroll	13.40%	16.37%	16.79%	16.92%	14.03%	12.65%	12.20%

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

**TOWN OF SMYRNA**  
**SCHEDULE OF TOWN CONTRIBUTIONS**  
**COUNTY AND MUNICIPAL OTHER EMPLOYEES' PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Contractually required contribution	\$ 165,329	\$ 161,578	\$ 114,135	\$ 82,923	\$ 77,775	\$ 65,561
Contributions in relation to the contractually required contribution	<u>165,329</u>	<u>161,578</u>	<u>114,135</u>	<u>82,923</u>	<u>77,775</u>	<u>65,561</u>
Contribution excess	<u>\$ -</u>					
Covered payroll	\$ 2,692,843	\$ 2,338,458	\$ 1,595,929	\$ 956,687	\$ 920,240	\$ 922,197
Contributions as a percentage of covered payroll	6.14%	6.91%	7.15%	8.67%	8.45%	7.11%

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

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

	2022	2021	2020	2019	2018
<b><u>TOTAL OPEB LIABILITY</u></b>					
Service cost	\$ 712,476	\$ 619,000	\$ 574,674	\$ 432,000	\$ 488,480
Interest on total OPEB liability	280,877	270,217	329,180	388,236	338,523
Effect of economic/demographic gains or losses	(503,736)	-	(27,196)	-	-
Effect of assumption changes or inputs	(2,769,956)	157,909	54,530	1,803,493	(946,757)
Benefit payments	(164,761)	(198,626)	(169,788)	(207,729)	(183,491)
Implicit rate subsidy payments	(87,900)	(52,500)	(65,400)	-	-
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	(2,533,000)	796,000	696,000	2,416,000	(303,245)
<b>TOTAL OPEB LIABILITY, BEGINNING OF YEAR</b>	13,048,000	12,252,000	11,556,000	9,140,000	9,443,245
<b>TOTAL OPEB LIABILITY, END OF YEAR</b>	<u>\$ 10,515,000</u>	<u>\$ 13,048,000</u>	<u>\$ 12,252,000</u>	<u>\$ 11,556,000</u>	<u>\$ 9,140,000</u>
Covered payroll	\$ 4,933,824	\$ 4,589,632	\$ 4,589,632	\$ 4,453,460	\$ 4,453,460
OPEB liability as a percentage of covered payroll	213.12%	284.29%	266.95%	259.48%	205.23%

**Notes to Schedule:**

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

The changes listed below reflect differences from the December 31, 2021 measurement date to the December 31, 2022 measurement date.

The discount rate was increased from 2.06% per year to 3.72% per year as of December 31, 2022. This discount rate is based on the Bond Buyer GO 20-Year Bond Municipal Bond Index, in accordance with GASB Statements 74 and 75, as of December 31, 2022.

The changes listed below reflect differences from the December 31, 2020 measurement date to the December 31, 2021 measurement date.

The discount rate was reduced from 2.12% per year to 2.06% per year as of December 31, 2021. This discount rate is based on the Bond Buyer GO 20-Year Bond Municipal Bond Index, in accordance with GASB Statements 74 and 75, as of December 31, 2021.

The mortality tables were updated from RP-2000 projected with Scale AA for all employees to Pri-2012 Amount Weighted mortality for Town employees and Pub-2010 Amount Weighted mortality for Public Safety employees for Police, projected with SOA Scale MP-2021. The Mortality Tables and Scale were updated to the 2021 version for the December 31, 2021 measurement.

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

The discount rate was reduced from 2.74% per year to 2.12% per year as of December 31, 2020. This discount rate is based on the Bond Buyer GO 20-Year Bond Municipal Bond Index, in accordance with GASB Statements 74 and 75, as of December 31, 2020. The discount rate was 3.44% as of December 31, 2017, 4.10% as of December 31, 2018, 2.74% as of December 31, 2019, and 2.12% as of December 31, 2020.

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

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

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

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

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

**SUPPLEMENTARY INFORMATION SECTION**

**TOWN OF SMYRNA**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

	<b>Municipal Street Aid Fund</b>	<b>Police Grant Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 946,790	\$ 69,347	\$ 1,016,137
Accounts receivable	128,553	64,664	193,217
Due from other funds	-	-	-
Investments	518,958	-	518,958
<b>TOTAL ASSETS</b>	<b>\$ 1,594,301</b>	<b>\$ 134,011</b>	<b>\$ 1,728,312</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 32,916	\$ 32,916
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 32,916</b>	<b>\$ 32,916</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	\$ 64,277	\$ 53,100	\$ 117,377
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 64,277</b>	<b>\$ 53,100</b>	<b>\$ 117,377</b>
<b>FUND BALANCES:</b>			
Restricted for:			
Police expenditures	\$ -	\$ 47,995	\$ 47,995
Public works expenditures	1,530,024	-	1,530,024
<b>TOTAL FUND BALANCES</b>	<b>1,530,024</b>	<b>47,995</b>	<b>1,578,019</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,530,024</b>	<b>\$ 47,995</b>	<b>\$ 1,578,019</b>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Municipal Street Aid Fund</b>	<b>Police Grant Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Intergovernmental	\$ 192,830	\$ 103,402	\$ 296,232
Investment income	4,232	-	4,232
<b>TOTAL REVENUES</b>	<b>197,062</b>	<b>103,402</b>	<b>300,464</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Public safety	-	104,916	104,916
Public works	111,668	-	111,668
<b>TOTAL EXPENDITURES</b>	<b>111,668</b>	<b>104,916</b>	<b>216,584</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>85,394</b>	<b>(1,514)</b>	<b>83,880</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	58,781	-	58,781
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>58,781</b>	<b>-</b>	<b>58,781</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>144,175</b>	<b>(1,514)</b>	<b>142,661</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,260,344</b>	<b>49,509</b>	<b>1,309,853</b>
<b>PRIOR PERIOD ADJUSTMENT - Note 23</b>	<b>125,505</b>	<b>-</b>	<b>125,505</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,530,024</b>	<b>\$ 47,995</b>	<b>\$ 1,578,019</b>

**TOWN OF SMYRNA**  
**COMBINING SCHEDULE OF NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Summarized Comparative Data for the Year Ended December 31, 2021)**

	<u>2022</u>			
	<u>Trash Fund</u>	<u>Smyrna Slum Clearance and Redevelopment Authority</u>	<u>Total</u>	<u>2021</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 6,044	\$ 216,370	\$ 222,414	\$ 183,926
Accounts receivable, net	265,541	-	265,541	-
Loans receivable	-	36,155	36,155	36,155
<b>Total Current Assets</b>	<u>271,585</u>	<u>252,525</u>	<u>524,110</u>	<u>220,081</u>
<b>Noncurrent Assets:</b>				
Loan receivable	-	83,773	83,773	119,931
Net OPEB asset	48,023	-	48,023	-
<b>Total Noncurrent Assets</b>	<u>48,023</u>	<u>83,773</u>	<u>131,796</u>	<u>119,931</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	53,410	-	53,410	-
Deferred outflows - OPEB	-	-	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>53,410</u>	<u>-</u>	<u>53,410</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 373,018</u>	<u>\$ 336,298</u>	<u>\$ 709,316</u>	<u>\$ 340,012</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 68,801	\$ -	\$ 68,801	\$ -
Accrued salaries and benefits	3,737	-	3,737	-
<b>Total Current Liabilities</b>	<u>72,538</u>	<u>-</u>	<u>72,538</u>	<u>-</u>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	5,686	-	5,686	-
Net pension liability	32,168	-	32,168	-
<b>Total Noncurrent Liabilities</b>	<u>37,854</u>	<u>-</u>	<u>37,854</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>110,392</u>	<u>-</u>	<u>110,392</u>	<u>-</u>

**TOWN OF SMYRNA**  
**COMBINING SCHEDULE OF NET POSITION - PROPRIETARY FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	<b>2022</b>			<b>2021</b>
	<b>Trash Fund</b>	<b>Smyrna Slum Clearance and Redevelopment Authority</b>	<b>Total</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	\$ -	\$ -	\$ -	\$ -
Deferred inflows - OPEB	57,915	-	57,915	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>57,915</b>	<b>-</b>	<b>57,915</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>168,307</b>	<b>-</b>	<b>168,307</b>	<b>-</b>
<b>NET POSITION</b>				
Restricted for rural economic development	-	336,298	336,298	300,000
Unrestricted	204,711	-	204,711	40,012
<b>TOTAL NET POSITION</b>	<b>204,711</b>	<b>336,298</b>	<b>541,009</b>	<b>340,012</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 373,018</b>	<b>\$ 336,298</b>	<b>\$ 709,316</b>	<b>\$ 340,012</b>

**TOWN OF SMYRNA**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Summarized Comparative Data for the Year Ended December 31, 2021)**

	<b>2022</b>			<b>2021</b>
	<b>Trash Fund</b>	<b>Smyrna Slum Clearance and Redevelopment Authority</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>				
User service charges	\$ 1,684,253	\$ -	\$ 1,684,253	\$ -
Other operating revenue	-	17,307	17,307	21,212
<b>Total Operating Revenues</b>	<b>1,684,253</b>	<b>17,307</b>	<b>1,701,560</b>	<b>21,212</b>
<b>OPERATING EXPENSES</b>				
Trash Fees	1,024,568	-	1,024,568	-
System maintenance	134,527	-	134,527	-
Salaries and wages	132,556	-	132,556	-
Employee benefits	51,629	-	51,629	-
Supplies and maintenance	11,867	-	11,867	-
Insurance	11,912	-	11,912	-
Administration expenses	38,407	2,152	40,559	40
Professional services	74,076	-	74,076	-
Grant-in-aide - Façade Program	-	18,869	18,869	24,550
<b>Total Operating Expenses</b>	<b>1,479,542</b>	<b>21,021</b>	<b>1,500,563</b>	<b>24,590</b>
<b>CHANGE IN NET POSITION</b>	<b>204,711</b>	<b>(3,714)</b>	<b>200,997</b>	<b>(3,378)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>-</b>	<b>340,012</b>	<b>340,012</b>	<b>343,390</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 204,711</b>	<b>\$ 336,298</b>	<b>\$ 541,009</b>	<b>\$ 340,012</b>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2022**  
(With summarized comparative data for 2021)

	<b>Police Pension Trust Fund</b>	<b>Employee Pension Trust Fund</b>	<b>Totals</b>	
			<b>2022</b>	<b>2021</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 321,360	\$ 735,155	\$ 1,056,515	\$ 957,450
Prepaid expense	24,895	40,903	65,798	59,901
Accounts receivable	-	60,825	60,825	855
Interest receivable	-	-	-	18,563
Investments at fair value	-	-		
Mutual funds	714,673	5,923,226	6,637,899	6,310,141
Fixed income	-	2,032,536	2,032,536	2,375,883
Exchange-traded funds	-	454,478	454,478	385,251
Insurance contracts	1,346,155	562,177	1,908,332	3,986,284
<b>TOTAL ASSETS</b>	<b>\$ 2,407,083</b>	<b>\$ 9,809,300</b>	<b>\$ 12,216,383</b>	<b>\$ 14,094,328</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 134,073	\$ 74,814	\$ 208,887	\$ 81,946
<b>NET POSITION</b>				
Restricted for pension benefits	2,273,010	9,734,486	12,007,496	14,012,382
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,407,083</b>	<b>\$ 9,809,300</b>	<b>\$ 12,216,383</b>	<b>\$ 14,094,328</b>

**TOWN OF SMYRNA**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	<b>Police Pension Trust Fund</b>	<b>Employee Pension Trust Fund</b>	<b>Totals</b>	
			<b>2022</b>	<b>2021</b>
<b>ADDITIONS:</b>				
<b>Contributions:</b>				
Employer contribution	\$ 83,400	\$ 670,048	\$ 753,448	\$ 483,487
Employee contribution	19,308	40,905	60,213	72,360
<b>Total Contributions</b>	<b>102,708</b>	<b>710,953</b>	<b>813,661</b>	<b>555,847</b>
<b>Investment Income:</b>				
Interest and dividends	92,535	247,388	339,923	377,249
Net appreciation/(depreciation) in fair value of investments	(193,089)	(1,881,309)	(2,074,398)	537,408
<b>Total Investment Income</b>	<b>(100,554)</b>	<b>(1,633,921)</b>	<b>(1,734,475)</b>	<b>914,657</b>
Less: investment expense	21,926	95,763	117,689	118,564
<b>Net Investment Income</b>	<b>(122,480)</b>	<b>(1,729,684)</b>	<b>(1,852,164)</b>	<b>796,093</b>
<b>TOTAL ADDITIONS</b>	<b>(19,772)</b>	<b>(1,018,731)</b>	<b>(1,038,503)</b>	<b>1,351,940</b>
<b>DEDUCTIONS:</b>				
Benefits paid	427,869	531,305	959,174	830,386
Administrative expenses	3,459	3,750	7,209	3,853
<b>TOTAL DEDUCTIONS</b>	<b>431,328</b>	<b>535,055</b>	<b>966,383</b>	<b>834,239</b>
<b>CHANGE IN NET POSITION</b>	<b>(451,100)</b>	<b>(1,553,786)</b>	<b>(2,004,886)</b>	<b>517,701</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>2,724,110</b>	<b>11,288,272</b>	<b>14,012,382</b>	<b>13,494,681</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 2,273,010</b>	<b>\$ 9,734,486</b>	<b>\$ 12,007,496</b>	<b>\$ 14,012,382</b>