

TOWN OF SMITHFIELD, VIRGINIA



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

**TOWN OF SMITHFIELD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

Prepared by:

Ellen Minga, Town Treasurer

Town of Smithfield, Virginia

Town Council and Executive Officers

Mayor

T. Carter Williams

Town Clerk

Lesley M. Greer

Vice-Mayor

Michael G. Smith

Town Manager

Michael Stallings

Council Members

Beth Haywood
Randolph H. Pack
Wayne Hall
Renee Rountree
Valerie C. Butler

Treasurer

Ellen D. Minga

Chief of Police

Alonzo Howell

Committees

Finance

Randolph H. Pack (CH)
Michael G. Smith
Valerie C. Butler

Public Works

Beth Haywood (CH)
Michael G. Smith
Renee Rountree

Water and Sewer

Michael G. Smith (CH)
Randolph H. Pack
Renee Rountree

Public Buildings and Welfare

Valerie C. Butler (CH)
Randolph H. Pack
Wayne Hall

Public Safety - Police

Renee Rountree (CH)
Wayne Hall
Beth Haywood

Parks and Recreation

Wayne Hall (CH)
Valerie C. Butler
Beth Haywood

Isle of Wight Tourism Bureau

Renee Rountree
T. Carter Williams

Smithfield Planning Commission

Randolph H. Pack

Intergovernmental

T. Carter Williams
Michael G. Smith

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Independent Auditors' Report

**To the Honorable Members of
Town Council
Town of Smithfield, Virginia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Smithfield, Virginia, as of and for the year ended June 30, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Town of Smithfield, Virginia, as of and for the year ended June 30, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 Town of Smithfield, Virginia, and to meet 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 audit opinions.

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement Nos. 87, *Leases*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 17 to the financial statements, in 2022, the Town restated beginning balances to record lease liability balances in accordance with GASB Statement No. 87. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Town of Smithfield, Virginia'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, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* 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.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, 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 Town of Smithfield, Virginia'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 Town of Smithfield, Virginia'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Smithfield, Virginia's basic financial statements. The accompanying supporting schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of Town of Smithfield, Virginia'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 Town of Smithfield, Virginia'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 Town of Smithfield, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

December 14, 2022

Management's Discussion and Analysis
Fiscal Year July 1, 2021 - June 30, 2022

The following discussion provides an overview and analysis of the Town of Smithfield, Virginia's (Town's) financial activities for the fiscal year ended June 30, 2022. This information should be read in conjunction with the Town's audited financial statements as reported herein.

FINANCIAL HIGHLIGHTS

- The net position of the Town increased by \$3,205,228 which represents a 6% increase over FY2021 (total net position-government-wide).
- The Town received federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding totaling \$52,237 to reimburse unbudgeted expenses directly resulting from the COVID-19 pandemic in the United States. The Town also received \$8,782 in CARES money to assist utility customers with payment of delinquent bills.
- The Town also received the first of 2 stimulus payments from the federal American Rescue Plan Act (ARPA) on June 30, 2021. Of the \$4,396,477 received, \$1,329,196 was expended in FY2022.
- The Town exhausted CDBG funding from the 4th and final phase of the Pinewood Heights Redevelopment Project. A compliance audit was completed by the Virginia Department of Housing and Community Development (VHCD) granting conditional closeout pending submittal of the Town of Smithfield's final reports.
- The Grace Street Utility Infrastructure project that began in FY2021 was completed for a total cost of \$1,366,751.

Overview of the Financial Statements

This discussion and analysis serve as an introduction to the Town's basic financial statements. These basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

The Town is required to comply with the Governmental Accounting Standards Board (GASB) Statement No. 34. The implementation of GASB 34 changed the accounting and presentation of the financial statements to include government-wide financial statements that report both long-term and short-term information about the Town's overall financial standing.

Government-wide financial statements

The *Government-Wide Financial Statements* provide an overview of the Town's financial position in a manner similar to private-sector businesses. Government-wide financial reporting consists of two statements: The Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on the Town's assets, deferred outflows or resources and liabilities and deferred inflows of resources. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other factors, such as a change in property tax base and infrastructure needs resulting from development or annexation, should also be included in a comprehensive assessment of the Town's position.

The Statement of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Government-wide financial statements: (Continued)

The Statement of Net Position and the Statement of Activities include the following:

- **Governmental activities** - The governmental activities of the Town include general government, public safety, public works, public buildings, community development, and recreation and cultural. Most of these activities are primarily financed by property taxes, other local taxes, and licenses and permit fees.
- **Business-type activities** - The business-type activities of the Town include a Water Fund and a Sewer Fund. These funds are supported by charges for services based on use. The current rate structure also includes a fixed bi-monthly fee per meter to offset the annual debt service payments incurred to fund a new water treatment plant.

Fund Financial Statements

Fund accounting is used to maintain control over resources that have been segregated for specific functions. Governments use fund accounting to ensure and demonstrate finance-related legal compliance. The funds of the Town are divided into two categories: governmental funds and propriety funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on the balances of spendable resources available at fiscal year-end. Such information may be useful in evaluating a government's near-term financing requirements.

Because the governmental funds statements present a more current focus than the information in the government-wide financial statements, a comparison between the two statements is a valuable tool for readers to understand the possible long-term impact of the government's recent financing decisions. Reconciliations of the governmental funds balance sheet and statement of revenues, expenditures, and changes are shown in Exhibits 4 and 6 on pages 21 and 23 to compare governmental funds to governmental activities.

Proprietary Funds - The Town maintains only one type of proprietary fund, which is the enterprise fund. Enterprise funds provide both long-term and short-term information on business type activities in the government-wide financial statements. They show similar, but more detailed, information on the fund financial statements. The Town uses enterprise funds to account for its water and sewer operations.

Notes to the Financial Statements - The notes provide additional information and explanations that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of the basic financial statements section of this report.

Supplementary Information - In addition to the basic financial statements and accompanying notes, this report also contains schedules of budget comparisons, pension funding progress, supporting schedules and other statistical information found on pages 77 through 111.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Town of Smithfield, Virginia
Summary of Net Position
As of June 30, 2022

	Governmental Activities		Business-Type Activities		Total	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Current and other assets	\$ 19,962,155	\$ 17,381,165	\$ 9,180,867	\$ 7,224,012	\$ 29,143,022	\$ 24,605,177
Capital assets	29,767,867	29,747,789	16,243,069	15,538,812	46,010,936	45,286,601
Total assets	<u>\$ 49,730,022</u>	<u>\$ 47,128,954</u>	<u>\$ 25,423,936</u>	<u>\$ 22,762,824</u>	<u>\$ 75,153,958</u>	<u>\$ 69,891,778</u>
Deferred outflows of resources	\$ 1,169,076	\$ 1,367,632	\$ 197,883	\$ 256,234	\$ 1,366,959	\$ 1,623,866
Long-term liabilities outstanding	\$ 4,557,018	\$ 5,306,726	\$ 2,236,883	\$ 2,906,558	\$ 6,793,901	\$ 8,213,284
Other liabilities	4,637,252	5,746,400	2,034,572	259,886	6,671,824	6,006,286
Total liabilities	<u>\$ 9,194,270</u>	<u>\$ 11,053,126</u>	<u>\$ 4,271,455</u>	<u>\$ 3,166,444</u>	<u>\$ 13,465,725</u>	<u>\$ 14,219,570</u>
Deferred Inflows of Resources	\$ 4,685,495	\$ 2,427,805	\$ 351,851	\$ 8,549	\$ 5,037,346	\$ 2,436,354
Net position:						
Net investment in capital assets	\$ 25,560,902	\$ 25,686,339	\$ 13,550,028	\$ 12,817,441	\$ 39,110,930	\$ 38,503,780
Restricted	1,696,078	310,838	4,028,269	3,424,674	5,724,347	3,735,512
Unrestricted	9,762,353	9,018,478	3,420,216	3,601,950	13,182,569	12,620,428
Total net position	<u>\$ 37,019,333</u>	<u>\$ 35,015,655</u>	<u>\$ 20,998,513</u>	<u>\$ 19,844,065</u>	<u>\$ 58,017,846</u>	<u>\$ 54,859,720</u>

The FY2022 combined net position for the Town totaled \$58,017,846 which is an increase of 6% over FY2021. The largest portion (67%) represents investments in capital assets net of related debt used to finance the assets. These capital assets include land, buildings, machinery, and equipment. They are used to provide services to citizens; thus, they are not available for future spending. This net investment decreased in FY2022 as debt was paid and federal ARPA money was used to fund several large capital projects without additional debt. Restricted assets of \$5,724,347 comprise 10% of total net position. The restricted assets for governmental activities (\$1,696,078) represent donated and/or designated funds specifically for the Pinewood Heights Redevelopment Project (\$42,614), the Smithfield Police Department (\$37,397), highway maintenance (\$271,758) and Net Pension Asset (\$1,344,309). The business-type activities total of \$4,028,269 includes its debt service (\$890,962), water deposit (\$28,609) and sewer compliance (\$2,823,125) escrow funds as well as net pension asset (\$285,573). The debt service fund has been in place since FY2005 and is used to retire the debt obligation for the Town's newest water storage tank finished in FY2011 and the water treatment plant (RO) that was completed in FY2012. Utility deposits were added to the Town Code in FY2014 to reduce the Town's losses from unpaid bills and are refundable after 6 billing cycles without delinquent payment. The sewer compliance fee was adopted on August 4, 2009 to fund expenses resulting from the regional sanitary sewer consent order. The consent order is an ongoing project that has progressed from its initial implementation phase to now include "find and fix" projects on an annual basis. Unrestricted funds of \$13,182,569 make up 23% of total net position. Included in this category for governmental activities are reserves and unrestricted investments that may be used to meet the Town's ongoing financial needs. Water and sewer capital escrow funds and development escrow funds are also categorized as unrestricted and are made up of availability fees and pro-rata share fees collected prior to construction that may be used to repair or replace existing infrastructure as well as offset capital expenses related to new growth when needed.

Governmental Activities. The following table shows a detailed summary of the revenues and expenses for governmental and business-type activities for 2022 as compared to 2021:

Town of Smithfield, Virginia
Changes in Net Position
As of June 30, 2022

	Governmental Activities		Business-Type Activities		Total	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Revenues:						
Program Revenues:						
Charges for services	\$ 383,149	\$ 315,778	\$ 3,112,984	\$ 3,038,262	\$ 3,496,133	\$ 3,354,040
Operating Grants and Contributions	2,381,379	2,766,708	691,964	6,523	3,073,343	2,773,231
Capital Grants and Contributions	465,582	230,837	563,400	417,280	1,028,982	648,117
General Revenues:						
Property taxes	3,353,768	3,031,225	-	-	3,353,768	3,031,225
Other taxes	4,431,744	3,984,913	-	-	4,431,744	3,984,913
Unrestricted revenues from the use of money and property	432,942	278,743	13,957	12,650	446,899	291,393
Miscellaneous	141,239	173,060	67,561	100,683	208,800	273,743
Grants and contributions not restricted to specific programs	417,466	441,608	-	-	417,466	441,608
Gain on disposal of capital assets	-	-	12,870	-	12,870	-
Total revenues	\$ 12,007,269	\$ 11,222,872	\$ 4,462,736	\$ 3,575,398	\$ 16,470,005	\$ 14,798,270
Expenses						
General government administration	\$ 1,334,877	\$ 1,807,433	-	-	\$ 1,334,877	\$ 1,807,433
Public safety	2,941,256	2,840,138	-	-	2,941,256	2,840,138
Public works	2,528,576	2,846,720	-	-	2,528,576	2,846,720
Parks, recreation and cultural	1,910,009	1,830,395	-	-	1,910,009	1,830,395
Community development	1,176,068	1,401,742	-	-	1,176,068	1,401,742
Interest on long-term debt	65,703	100,526	-	-	65,703	100,526
Water fund	-	-	2,064,578	2,513,706	2,064,578	2,513,706
Sewer fund	-	-	1,243,710	1,099,535	1,243,710	1,099,535
Total expenses	\$ 9,956,489	\$ 10,826,954	\$ 3,308,288	\$ 3,613,241	\$ 13,264,777	\$ 14,440,195
Increase (decrease) in net position	\$ 2,050,780	\$ 395,928	\$ 1,154,448	\$ (37,843)	\$ 3,205,228	\$ 358,075
Net position-beginning of year, restated	\$ 34,968,553	\$ 34,619,727	\$ 19,844,065	\$ 19,881,908	\$ 54,812,618	\$ 54,501,635
Net position-end of year	\$ 37,019,333	\$ 35,015,655	\$ 20,998,513	\$ 19,844,065	\$ 58,017,846	\$ 54,859,710

Program revenues for governmental activities make up 27% of total revenues and are comprised of charges for services (12%), operating grants and contributions (74%), and capital grants and contributions (14%). Charges for governmental activities services which includes permits, review fees, inspection fees, refuse collection fees, and fines and forfeitures increased by \$67,371 over prior year. The largest increase was the increase in inspection fees of \$51,586 for Church Square and Cypress Creek residential structures. Refuse collection fees also increased by \$10,334. Operating grants and contributions of \$2,381,379 decreased \$385,329 from prior year and consists of state highway maintenance funds (\$1,311,487), public safety grants (\$225,320), community development grants (\$137,358), cultural grants (\$4,500), CARES Act funding (\$52,237), ARPA funding (\$646,014) and a litter prevention grant (\$4,463). The annual state highway maintenance funds increased 22,243 (2%) from FY2021 and were used to maintain street surfaces, manage storm water ditching and drainage, and support highway safety and beautification. Included in the public safety grants are annual

599 funds from the state (\$179,664) that are used to supplement the cost of law enforcement, a fire programs grant that is passed through to the Smithfield Volunteer Fire Department (\$32,740), and federal police grants (\$12,916) for operations. The community development operating grant represents the reimbursable portion of the Pinewood Heights CDBG Redevelopment Project. The contract with the Virginia Department of Housing and Community Development (DHCD) dedicated \$1,000,000 in grant money for acquisition of properties and relocation of residents. As of year-end 2022, grant funds of \$137,358 were paid to the Town to complete the grant. Federal CARES Act funding of \$52,236 was used to reimburse costs for employee and public safety expenses related to the COVID-19 pandemic. The Town also recognized \$646,014 of federal stimulus funding (ARPA) for town-wide projects. Capital grants and contributions increased \$234,745 over prior year. The Town received \$465,582 in state and federal urban funds from the Virginia Department of Transportation (VDOT) for intersection improvements and a segment alternatives analysis. Those projects will be rolled forward into FY2023.

A significant revenue source for the Town has always been general property taxes. FY2022 was not a reassessment year so real estate value changes resulted from new construction and renovation or demolition of previously assessed property. Personal property also increased as assessments on used cars showed a rise in value.

	<u>FY2022</u>	<u>FY2021</u>
Real estate tax revenue	\$ 2,368,855	\$ 2,124,797
Public Service corporation property taxes	35,961	38,118
Personal Property taxes	898,442	815,044
Penalties and interest	50,510	53,266
Total	\$ 3,353,768	\$ 3,031,225

Tax assessments for the Town are received from the Isle of Wight County Commissioner of Revenue.

Real estate and personal property taxable assessments for FY2022 totaled \$1,203,213,569 and \$163,817,537 respectively, excluding any subsequent supplements and abatements, compared to \$1,181,904,153 and \$149,590,718 for FY2021. The increase in real estate taxable assessments resulted from new construction.

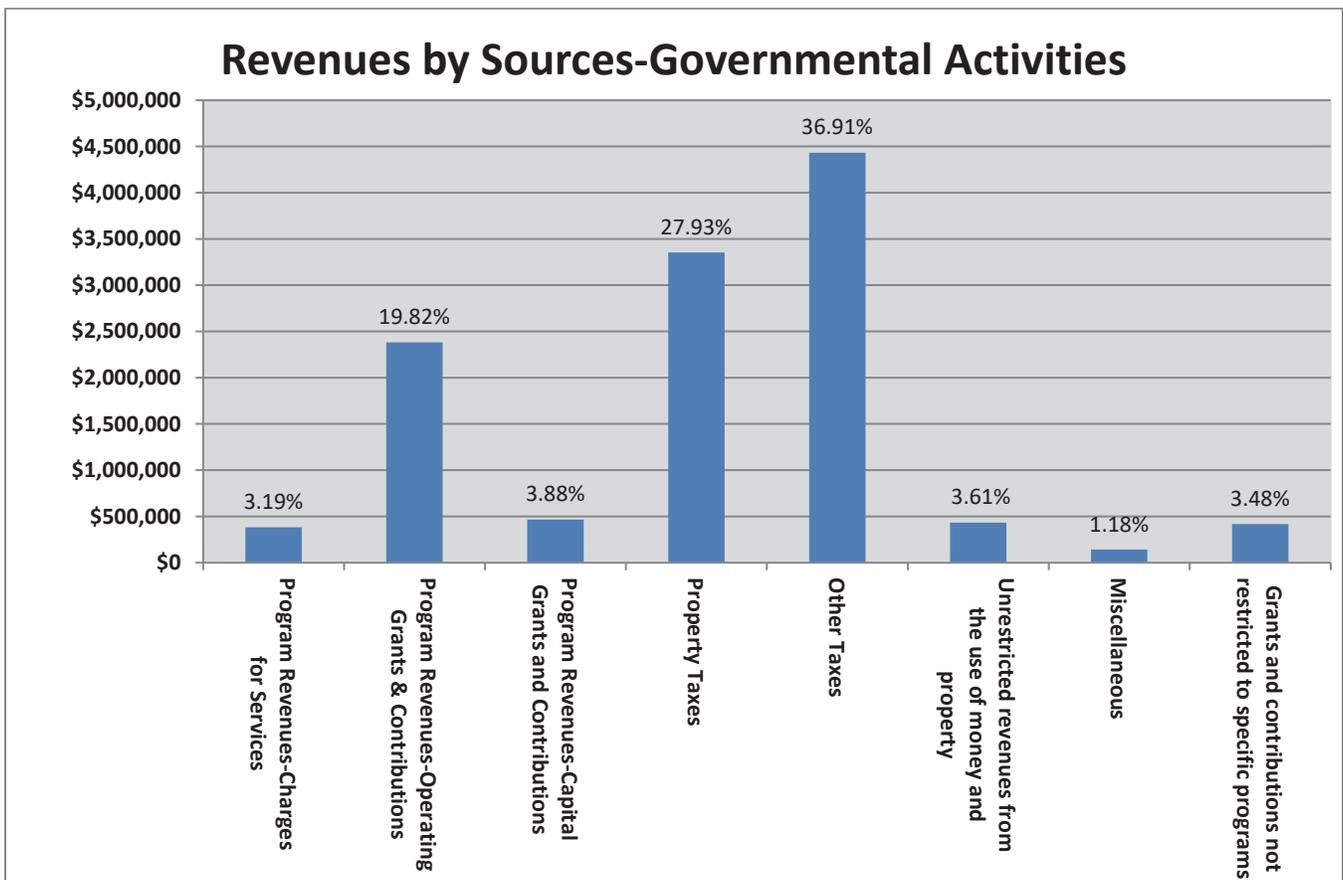
Other local taxes increased significantly by \$446,831 (11%) for the year and include transient occupancy taxes, sales taxes, utility taxes, cigarette taxes, meals taxes, franchise taxes, business license taxes, and vehicle license taxes. Transient occupancy tax, meals tax, sales tax, and business license tax combined for a total revenue of \$3,568,559 which was an increase of \$446,347 over FY2021, indicating that the Town’s economy is recovering from the setback of the Covid-19 pandemic.

Unrestricted revenue from use of money and property represents interest income, lease income, property rental income, event rental income, gift shops sales, fingerprinting, and special events labor reimbursement. Revenues in this category totaled \$432,942. GASB 87 adjustments included recognition of Interest Revenue-Leases (\$12,369) and Lease Revenue -DIOR (\$45,767) that offset the adjustment in Rents (-\$27,000) and Rents-Luter Sports (-\$25,000). Notable increases in rents for the Smithfield Center (\$90,384) and Windsor Castle Park (\$42,094) highlighted a strong year for rental services.

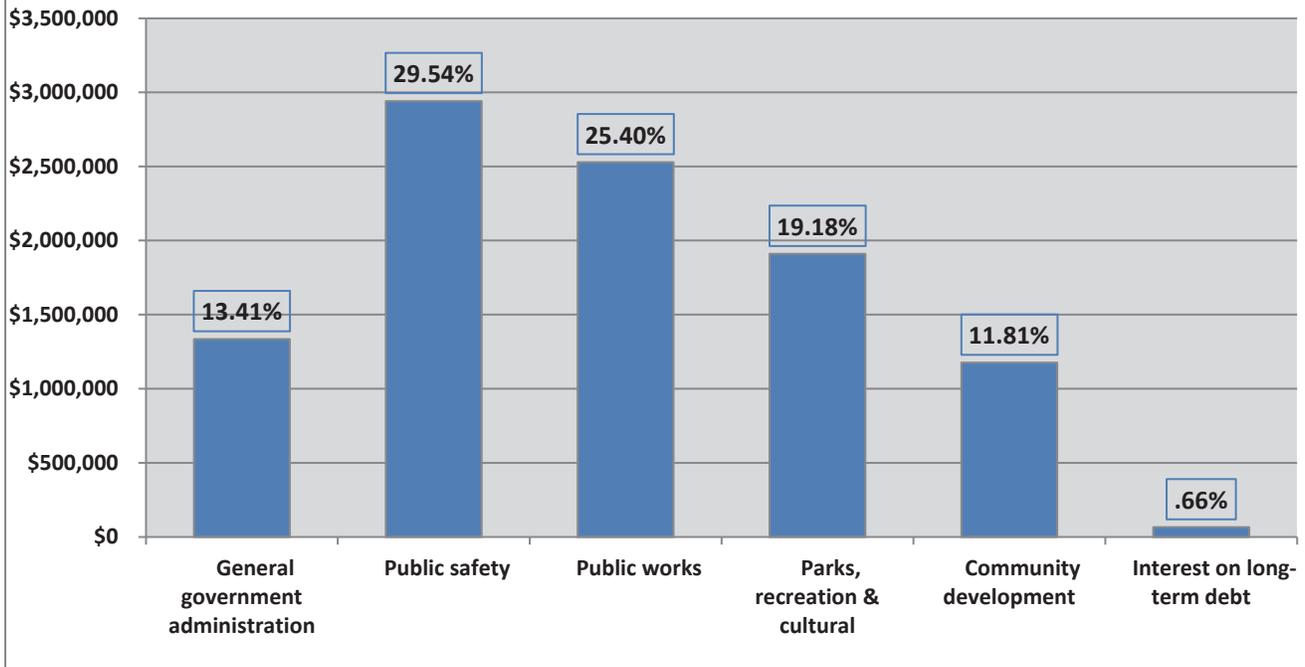
Miscellaneous revenues for FY2022 totaled \$141,239 and are made up of insurance proceeds, sale of copies, returned check charges, accident report fees, capital credit refunds, sale of property and equipment, and contributions from citizens, businesses, and non-profit organizations. Contributions for the museum (\$84,472) comprised 60% of this category for FY2022 and included \$82,857 from Isle of Wight County for reimbursement of 50% of the museum’s annual operating costs. The Town also received a \$30,000 contribution from the Smithfield Recreation Association (SRA). The organization also has a lease agreement with the Town of Smithfield for primary use of the Luter Sports Complex.

Grant contributions not restricted to specific programs include the state’s annual personal property tax relief contribution, communications tax allocations, rolling stock, mobile home tax, short-term rental taxes, and State Game of Skills tax. The personal property tax relief of \$240,794 is a fixed amount that is received from the Commonwealth of Virginia in August of every year. Communications taxes are collected by the state as well and then allocated to each locality based on a percentage that was calculated when the tax was removed from the local level and redirected to the state. Revenues vary depending upon taxes collected and deductions applied by the state. Communications taxes of \$169,156 for FY2022 decreased \$5,123 from FY2021 marking a decline for the ninth consecutive year. Rolling stock, mobile home tax, and short-term rental tax collectively totaled \$5,931 which was 3% higher than the prior year total of \$5,745. The Game of Skills Tax has been discontinued from prior year leading to a drop in revenue of \$16,560.

Total expenditures for FY2022 governmental activities equaled \$9,956,489. Expenses are categorized as general government administration, public safety, public works, parks, recreation, and cultural, community development, and interest on long term debt. General government expenditures include the Town Council, Town Manager, and Town Treasurer cost centers. The Public Works Department includes expenses for the highway fund (\$1,244,828) that are reimbursed by state grant revenues. Community Development expenses decreased significantly from prior year as the Pinewood Heights Redevelopment Project was nearing its completion. The project began in FY2007 and should be completed in FY2023.



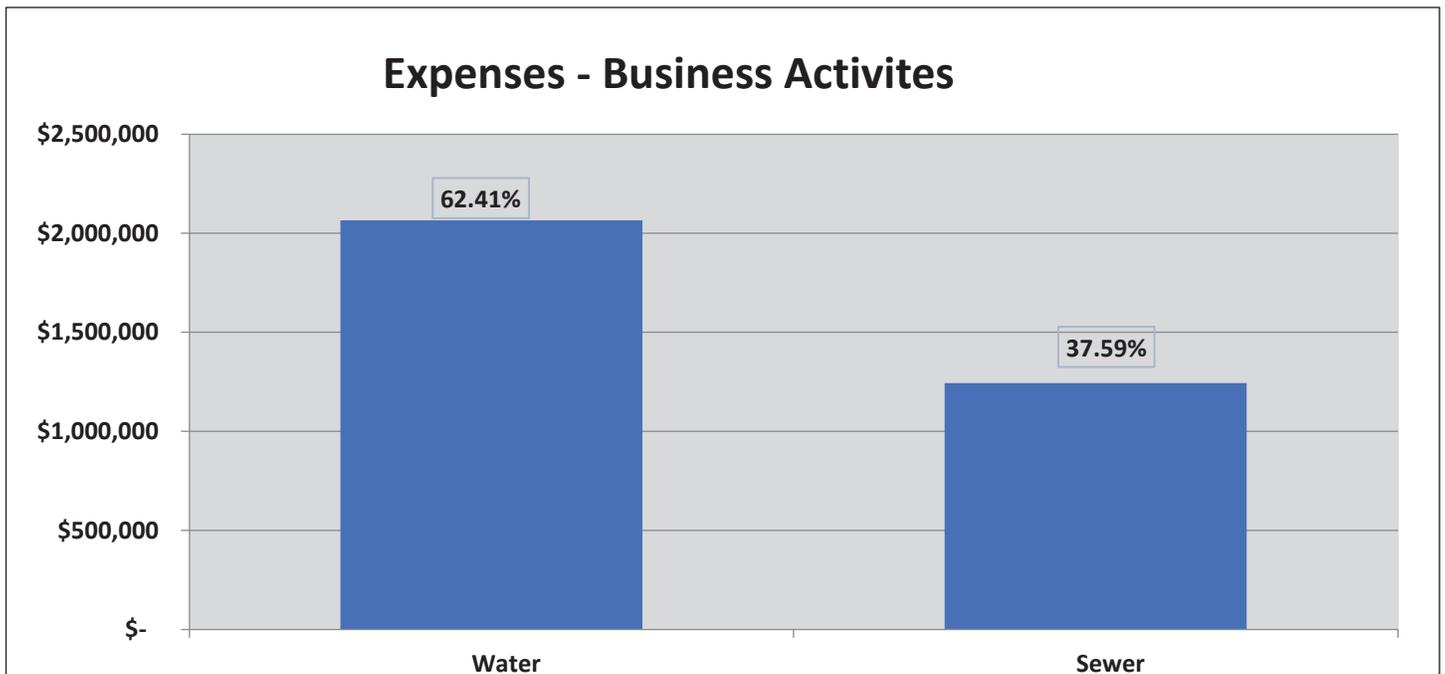
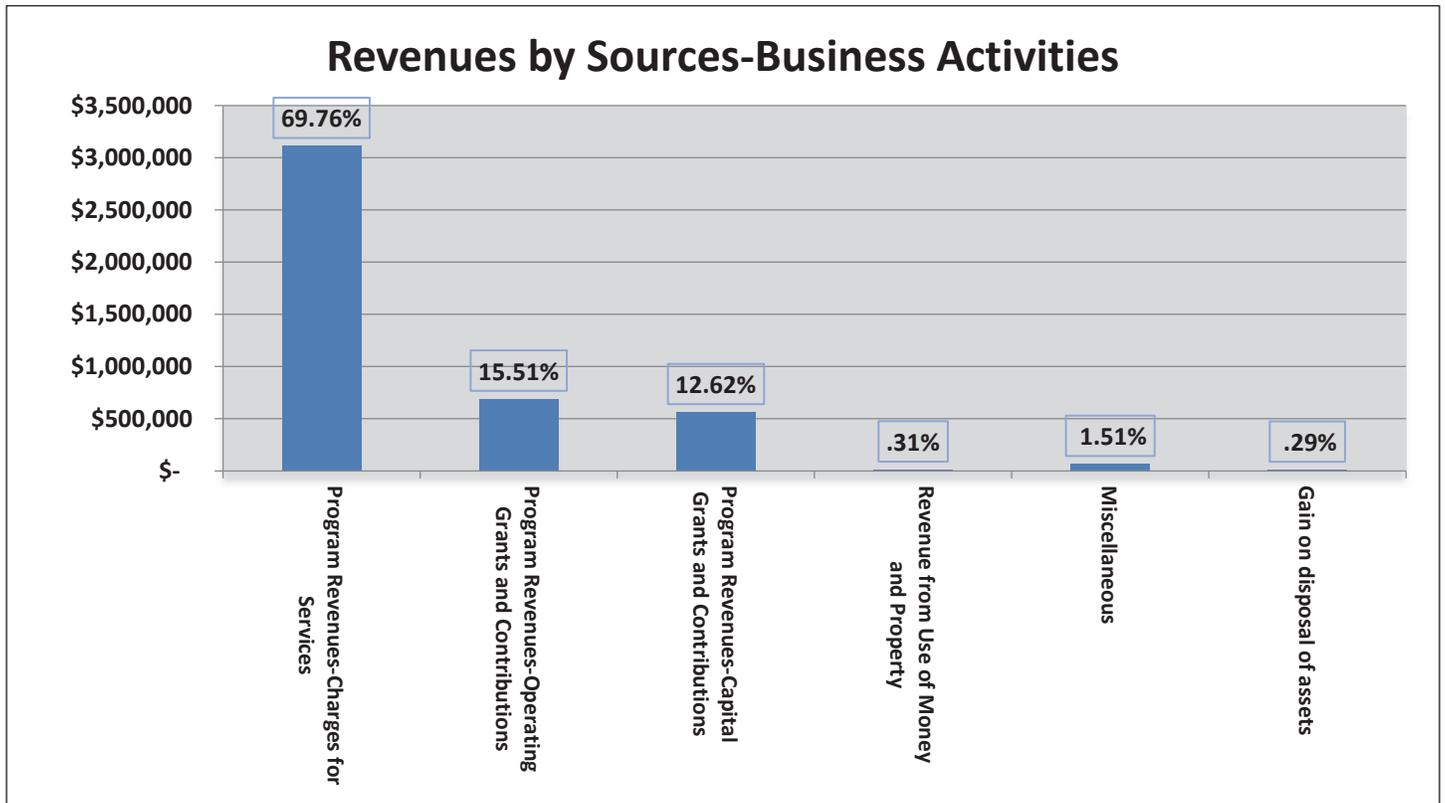
Expenses - Governmental Activities



Business-Type Activities. The business-type activities show a decrease in net position of \$37,843 for FY2022. Program revenues include charges for services that increased by \$74,722, operating grants and contributions that increased by \$685,441 and capital grants and contributions that increased by \$146,120. Included in charges for services are utility charges, bulk water sales, connection fee, debt service fees, and sewer compliance fees. Rates were not raised in FY2022 meaning that increases in charges for services resulted from increased consumption. Connection fees increased by \$32,780 with the installation of 75 residential meters (5/8”) in FY2022 as compared to 60 residential meters and one commercial upgrade (1”) in FY2021. Debt service fees and sewer compliance fees reflected a combined increase of \$5,313 for the year. They are fixed costs that are not driven by consumption, and therefore tend to remain stable unless there is a significant change in rates or a sizable fluctuation in the number of active accounts. No rate changes were made to the debt service or sewer compliance fees in FY2022. The utility funds do not often receive operating grants and contributions, but \$691,964 of federal CARES and ARPA qualifying reimbursements were recorded in FY2022. Capital Grants and Contributions include availability fees and pro-rata share fees. Like connection fees, availability fees are tied directly to growth and are generally collected at the same time as connection fees. Availability fees increased from \$407,680 in FY2021 to \$513,000 in FY2022 as 15 more residential meters were installed. Availability fees are deposited into the Water and Sewer Capital Escrow Funds and are used for capital maintenance on existing infrastructure and to finance new infrastructure when needed. Pro-rata share fees also increased from \$9,600 last year to \$50,400 in FY2022. These fees are paid by developers at the time that plats are recorded and are assessed at \$1200 for water and \$1200 for sewer per lot. Pro-rata share fees are designated for capital expenditures resulting from new growth and are deposited in the Water and Sewer Development Escrow Funds. Included in general revenues for water and sewer are unrestricted revenues from the use of money and property (interest income) and miscellaneous revenues. Miscellaneous revenues include application fees for water service (\$9,747), gain on disposal of asset (\$12,870), and insurance recoveries (\$37,557). Insurance was collected as reimbursement for pump station damages due to flooding and lightning and fire hydrant damages.

Expenditures decreased \$304,953 for the year with a decrease in water (-\$449,128) offset by an increase in sewer (\$144,175). In FY2021, the Town expended \$618,810 on maintenance for the South Church Street water tank. In FY2022, water tank maintenance began on Wilson Road but only reflected minimal costs. The largest increase in sewer was repairs & maintenance totaling \$188,943 compared to \$91,249 in FY2021.

The Town’s current utility rate structure is based on “usage only” with fixed costs added to address sewer compliance and water debt service expenses. The Town’s current sewer rate was adopted as of January 1, 2021, and is billed at \$3.74 per 1,000 gallons used. In addition, a fixed cost of \$18.62 is added to each bi-monthly bill for sewer compliance expenses. Also, as of January 1, 2021, the Town Council approved a water rate of \$6.55 per 1,000 gallons used and a fixed bi-monthly debt service fee of \$11.47. The only exception to the water billing structure is the rate charged to Isle of Wight County (\$6.50) in lieu of a separate usage rate and debt service fee. That rate is based on the prevailing rate per 1,000 gallons as set by Isle of Wight County through its membership with the Western Tidewater Water Authority and may be amended form year to year. Utility revenues are presented to the finance committee each month with the financial statements to ensure that revenues are adequate to meet both operating and capital needs.



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The Town's governmental funds relay information on current sources and uses of spendable resources, as well as on the balances of spendable resources available at fiscal year end. The fund balances of total governmental funds equaled \$10,920,943 for FY2022, of which \$62,091 is nonspendable, \$351,769 is restricted, \$587,751 is committed, \$8,108 is assigned, and \$9,911,224 is unassigned.

General Fund. The general fund is the Town's primary operating fund for all governmental activities. Total fund balances for FY2022 equaled \$10,641,077. The fund balances consist of: nonspendable fund balance of \$62,091, restricted fund balance of \$80,011, committed fund balance of \$587,751, and unassigned fund balance of \$9,911,224.

Highway Maintenance Fund. The highway maintenance fund is used to track receipts from the Commonwealth of Virginia that are specifically designated for road maintenance and to identify allowable expenses that may be charged against state revenue. Restricted fund balance of \$271,758 for FY2022 is an increase of \$55,834 from a total fund balance of \$204,924 in FY2021. Ideally, the fund balance of highway maintenance should approach zero as grant funds from the state are required to spent in the same year they are allocated.

Capital Projects Fund. The capital projects fund for FY2004 specifically detailed grant activity for a community development block grant in the Rising Star community of the Town. Financial activity for this grant began in FY2000 and was completed in FY2004, but the Town continued to collect program revenue from residents who benefited from the Rising Star rehabilitation through FY2007. The balance of program revenues collected (\$8,151) remains in the Town's capital projects fund until a decision is made on its disposition.

Proprietary Funds. The Town's only proprietary funds are its water and sewer funds which provide the same type of information included in the government-wide financial statements but in more detail. As of 2022 the combined total assets of the proprietary funds equaled \$24,423,936 which is a 7% increase from FY2021. Current and other assets increased \$790,431 from prior year and included cash and cash equivalents, receivables net of allowances for uncollectible accounts, due from other funds, due from other governmental units, inventory, restricted assets, and net pension asset. Cash and Cash Equivalents decreased by \$382,770 for the water fund and \$124,705 for a total of \$507,475. Due from other funds decreased \$218,646 as intercompany receivable between the water and sewer funds was reduced. Receivables net of allowances increased \$171,056 as unbilled receivables were \$62,575 higher than prior year and customer receivables increased by \$108,482 with the moratorium on disconnections. Restricted assets also increased \$223,778 as sewer compliance spending on "find and fix" projects totaling \$215,966 was well below the \$411,841 collected during the year. Inventories increased by \$27,467 due to restocking and a rise in prices. A net pension asset of -\$95,502 was also recorded as required by GASB 68 Accounting and Financial Reporting for Pensions which was a decrease of \$223,764 over prior year. Finally, a receivable due from other governmental units dropped slightly (-\$2,543). Total capital assets increased by \$1,344,473 as accumulated depreciation increased by \$730,142 but was offset by a larger increase of \$2,074,615 in gross asset value.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's FY2021 budget was adopted by Town Council at a special meeting held on June 28, 2021. It was appropriated at the July 5, 2021, Town Council meeting effective as of July 1, 2021. The Town Council also approved several appropriation resolutions during the fiscal year totaling \$1,917,565. Budgeted general fund revenues totaled \$11,013,317 for the year, but actual revenues equaled \$10,567,684. The categories reflecting the most significant variances from budget are General Property Taxes (\$126,779), Other Local Taxes (\$684,127), , categorical aid from the Commonwealth (-\$384,932), and categorical aid from the federal government (\$1,095,630). Property taxes are projected based upon expected development, reassessments, and the general state of the economy. Although not a reassessment year, the Town's 2022 tax base was higher

than budgeted. Personal Property taxes exceeded budget by \$92,992 as used vehicles increased in value. Other local taxes reflected the most significant budget excesses in sales tax (\$56,311), business license tax (\$109,193), transient tax (\$85,105) and meals tax (\$395,902). Categorical aid from the Commonwealth and Categorical aid from the federal government both were significantly under budget as the Bennis Church Intersection Improvements and the South Church Street Alternatives Analysis projects were not completed during the fiscal year. The Bennis Church intersection improvement will be completed in FY2023, but the South Church Street Alternatives Analysis will be an ongoing project moving from engineering to actual construction.

Highway revenues from the Commonwealth of Virginia were budgeted at \$1,89,244, but actual receipts for the year totaled \$1,311,487, allotting the Town an additional \$22,243 for street maintenance.

Total budgeted general fund expenses for FY2022 equaled \$11,411,708 while actual spent was \$9,199,849. The only department to exceed budget was Community Development (\$80,334). This resulted from a continuation of the Pinewood Heights Redevelopment Project from prior year. Initially, the project was expected to close in FY2021, but delays prevented its completion. An appropriation was approved for \$365,000, but actual costs totaled \$508,232 for the year. Notable budget savings of \$154,197 and \$399,827 were realized in the Treasurer's department and Public Safety respectively. These savings were largely the result of personnel vacancies. The most significant savings were realized in capital projects (\$1,523,391) as multiple projects were carried forward into FY2023 including the Waterworks dam remediation project, the VDOT urban fund projects, Public Works stormwater projects, and the systems conversion in the Treasurer's office.

Highway maintenance funds were budgeted to equal budgeted highway revenues (\$1,289,244) plus interest earned (\$250). In the past few years, the Town has not spent its entire annual street maintenance grant and has recorded a carry forward. In FY2022, the Town spent \$1,244,828 including \$204,924 of a prior year carry forward balance.

PROPRIETARY FUND BUDGETARY HIGHLIGHTS

The proprietary funds reflected a combined water and sewer change in net position of \$1,154,448 for FY2022. The final sewer fund budget projected a gain of \$269,727 while water was budgeted with a gain of \$423,651. Actual sewer change in net position for the year was \$638,488 while water was \$515,960. Both exceeded budget expectations. Operating revenues and contributed capital exceeded budget by \$183,919 and \$255,600 respectively while combined operating expenses were \$261,620 lower than budgeted. Charges for services exceeded budget by \$163,662 with significant increases in connection fees (\$65,720) and utility sales (\$92,817). Connection fees are directly tied to growth, and 2022 estimates of 45 connections fell well below the actual 75 connections installed. Also, under Miscellaneous revenues, the Town's insurance provider, Virginia Risk Sharing Association (VRSA), reimbursed the Town \$37,557 for storm and equipment damages and replacement of a fire hydrant. Like the connection fees included in charges for services, the availability fees were also budgeted for 45 new plats; however, actual collected was 75 (\$513,000). Professional fees (\$25,781), materials and supplies (\$106,887), and pump replacement and conditioning (\$111,235) accounted for the largest savings in expenditures which offset overages in maintenance and repairs (\$64,895) and RO plant HRSD charges (\$33,227) for wastewater treatment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's capital assets totaled \$46,010,936 for its governmental and business-type activities net of accumulated depreciation for FY2022. Both governmental activities and business-type activities reflected an increase in total assets of \$76,013 and \$704,257 respectively. The increase in value of the general fund assets resulted largely from Construction in Progress that included two VDOT projects totaling over \$501,661. This increase was offset by depreciation expense for the year. The increase in business fund assets resulted from the infrastructure projects for Grace Street (\$541,175) and BMP improvements at the Reverse Osmosis Plant (\$381,850). The Town's investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, art collection and construction in progress. The Town owns roads, streetlights, and other highway infrastructure that has been included in this report.

Major capital asset events during the 2022 fiscal year included the following:

- Lease-capital purchase of four police vehicles
- Purchase of 3 land parcels in Phase IV of the Pinewood Heights Redevelopment Project
- Completion of BMP stormwater improvements at the RO plant
- Significant progress on the Rt10/S Church Street Intersection Improvements
- Completion of the Grace Street water and sewer line improvements
- Continued sanitary sewer inspections and manhole rehabs at various locations throughout the Town
- Capital improvements throughout the Town utilizing federal ARPA funding.

Town of Smithfield, Virginia
Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 10,206,158	\$ 10,146,637	\$ 214,481	\$ 204,481	\$ 10,420,639	\$ 10,351,118
Building and system Improvements other than buildings	6,461,901	6,715,677	6,893,563	7,137,210	13,355,464	13,852,887
Machinery & equipment	3,648,936	3,967,137	63,987	70,748	3,712,923	4,037,885
Vehicles	812,162	964,224	2,264,356	2,441,885	3,076,518	3,406,109
Lease Vehicles	137,342	214,483	451,703	527,044	589,045	741,527
Infrastructure	300,951	210,899	-	-	300,951	210,899
Art collections	6,914,864	6,882,403	6,110,198	4,152,780	13,025,062	11,035,183
Construction in progress	10,537	10,537	-	-	10,537	10,537
Total	<u>\$ 29,767,867</u>	<u>\$ 29,691,854</u>	<u>\$ 16,243,069</u>	<u>\$ 15,538,812</u>	<u>\$ 46,010,936</u>	<u>\$ 45,230,666</u>

Additional details on the Town’s capital assets can be found in Note 6 of the Notes to the Basic Financial Statements.

Debt Administration. Outstanding debt for the Town at fiscal year-end 2022 totaled \$7,205,531 of which \$4,557,018 originated from governmental activities and the remaining \$2,648,513 from business-type activities. Total principal paid for all debt during the year was \$931,712. The Town’s ratio of net general bonded debt to total assessed value of taxable property decreased from 0.28% in FY2021 to .25% in FY2022 with an increase in assessed value of \$35,536,235 and a decrease in net bonded debt of \$304,699 due to principal payments. Outstanding debt also includes Lease Liabilities (\$304,62), Net Other Post-Employment Benefits (OPEB) liabilities (\$665,279), and the value of Compensated Absences (\$218,659). Group Life Insurance (GFI) and Line of Duty Act benefits (LODA) for the Town’s certified officers are included in the calculations for OPEB liabilities.

Detailed information about the Town’s long-term obligations, net bonded debt per capita and legal debt margin may be found in Notes, 8, 9, 10, and 11 of the Notes to the Financial Statements and Statistical Tables 9, 10, and 11. The Town’s outstanding debt is significantly below the state’s allowable limit of 10% of the total assessed value of taxed real property.

Town of Smithfield, Virginia
Outstanding Debt
For the Year Ended June 30, 2022

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
General Obligation Bonds	\$ 3,340,908	\$ 3,634,767	\$ 1,242,092	\$ 1,619,233	\$ 4,583,000	\$ 5,254,000
Notes payable	98,376	109,216	1,336,155	1,102,138	1,434,531	1,211,354
Lease Liabilities	304,062	317,467	-	-	304,062	317,467
Net OPEB liabilities	633,252	609,673	32,027	46,345	665,279	656,018
Net pension liability	-	449,568	-	95,502	-	545,070
Compensated absences	180,420	186,035	38,239	43,340	218,659	229,375
Total	<u>\$ 4,557,018</u>	<u>\$ 5,306,726</u>	<u>\$ 2,648,513</u>	<u>\$ 2,906,558</u>	<u>\$ 7,205,531</u>	<u>\$ 8,213,284</u>

ECONOMIC FACTORS

The economic outlook for the Town as it ends FY2022 and enters FY2023 is one of growth and recovery. Parks and Recreation is once again booking events, meetings, and weddings at pre-pandemic levels. Other local taxes which highlight the impact of tourism and the success of local businesses exceeded budget by \$684,000. Utility connections increased from 60 to 75 in the 2022 fiscal year as construction continued in existing neighborhoods. New projects for affordable housing and commercial opportunities continue to move through the review and approval process. The Town is focused on embracing growth while maintaining a high level of customer service and quality of life for its residents.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Smithfield, Virginia’s financial condition as of fiscal year ended 2022. Questions concerning this report or requests for additional information should be directed to the Treasurer, Town of Smithfield, 310 Institute Street, Smithfield.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
As of June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,522,954	\$ 3,753,584	\$ 17,276,538
Receivables (net of allowance for uncollectibles):			
Taxes receivable	2,499,402	-	2,499,402
Accounts receivable	442,318	661,342	1,103,660
Interest receivable	15	-	15
Leases receivable	579,264	-	579,264
Internal balances	710,966	(710,966)	-
Due from other governmental units	674,703	3,853	678,556
Inventories	36,252	193,531	229,783
Prepaid items	19,703	-	19,703
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	132,269	3,827,526	3,959,795
Net pension asset	1,344,309	285,573	1,629,882
Capital assets (net of accumulated depreciation):			
Land	10,206,158	214,481	10,420,639
Buildings and system	6,461,901	6,893,563	13,355,464
Improvements other than buildings	3,648,936	63,987	3,712,923
Machinery and equipment	812,162	2,264,356	3,076,518
Vehicles	137,342	451,703	589,045
Leased vehicles	300,951	-	300,951
Infrastructure	6,914,864	6,110,198	13,025,062
Art collections	10,537	-	10,537
Construction in progress	1,275,016	244,781	1,519,797
Total assets	\$ 49,730,022	\$ 24,257,512	\$ 73,987,534
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 882,526	\$ 187,477	\$ 1,070,003
OPEB related items	286,550	10,406	296,956
Total deferred outflows of resources	\$ 1,169,076	\$ 197,883	\$ 1,366,959
LIABILITIES			
Accounts payable & other accrued expenses	\$ 872,979	\$ 330,199	\$ 1,203,178
Accrued wages & payroll liabilities	130,265	23,646	153,911
Customer deposits	-	84,830	84,830
Accrued interest payable	14,788	17,843	32,631
Due to other governmental units	392,087	-	392,087
Unearned revenue	3,115,548	-	3,115,548
Refunds to taxpayers	111,585	-	111,585
Long-term liabilities:			
Due within one year	537,833	411,630	949,463
Due in more than one year	4,019,185	2,236,883	6,256,068
Total liabilities	\$ 9,194,270	\$ 3,105,031	\$ 12,299,301
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 2,326,191	\$ -	\$ 2,326,191
Pension related items	1,594,126	338,642	1,932,768
OPEB related items	192,050	13,209	205,259
Leases receivable	573,128	-	573,128
Total deferred inflows of resources	\$ 4,685,495	\$ 351,851	\$ 5,037,346
NET POSITION			
Net investment in capital assets	\$ 25,560,902	\$ 13,550,028	\$ 39,110,930
Restricted:			
Net pension asset	1,344,309	285,573	1,629,882
Pinewood Heights escrow	42,614	-	42,614
Police department expenditures	37,397	-	37,397
Highway maintenance	271,758	-	271,758
Water debt service	-	919,571	919,571
Sewer compliance	-	2,823,125	2,823,125
Unrestricted	9,762,353	3,420,216	13,182,569
Total net position	\$ 37,019,333	\$ 20,998,513	\$ 58,017,846

The notes to financial statements are an integral part of this statement.

TOWN OF SMITHFIELD, VIRGINIA

Statement of Activities
 For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,334,877	\$ -	\$ 57,845	\$ -
Public safety	2,941,256	39,789	235,346	-
Public works	2,528,576	223,737	1,626,927	465,582
Parks, recreation, and cultural	1,910,009	-	323,903	-
Community development	1,176,068	119,623	137,358	-
Interest on long-term debt	65,703	-	-	-
Total governmental activities	\$ 9,956,489	\$ 383,149	\$ 2,381,379	\$ 465,582
Business-type activities:				
Water	\$ 2,064,578	\$ 1,852,180	\$ 456,338	\$ 229,200
Sewer	1,243,710	1,260,804	235,626	334,200
Total business-type activities	\$ 3,308,288	\$ 3,112,984	\$ 691,964	\$ 563,400
Total primary government	\$ 13,264,777	\$ 3,496,133	\$ 3,073,343	\$ 1,028,982

General revenues:

- General property taxes
- Other local taxes:
 - Local sales and use tax
 - Business licenses
 - Utility license taxes
 - Restaurant food taxes
 - Cigarette taxes
 - Motor vehicle taxes
 - Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs
- Gain on disposal of capital assets

Total general revenues

Change in net position

Net position - beginning, as restated

Net position - ending

The notes to financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,277,032)	\$ -	\$ (1,277,032)
(2,666,121)	-	(2,666,121)
(212,330)	-	(212,330)
(1,586,106)	-	(1,586,106)
(919,087)	-	(919,087)
(65,703)	-	(65,703)
<u>\$ (6,726,379)</u>	<u>\$ -</u>	<u>\$ (6,726,379)</u>
\$ -	\$ 473,140	\$ 473,140
-	586,920	586,920
<u>\$ -</u>	<u>\$ 1,060,060</u>	<u>\$ 1,060,060</u>
<u>\$ (6,726,379)</u>	<u>\$ 1,060,060</u>	<u>\$ (5,666,319)</u>
\$ 3,353,768	\$ -	\$ 3,353,768
540,311	-	540,311
505,998	-	505,998
195,542	-	195,542
2,277,144	-	2,277,144
211,408	-	211,408
243,106	-	243,106
458,235	-	458,235
432,942	13,957	446,899
141,239	67,561	208,800
417,466	-	417,466
-	12,870	12,870
<u>\$ 8,777,159</u>	<u>\$ 94,388</u>	<u>\$ 8,871,547</u>
\$ 2,050,780	\$ 1,154,448	\$ 3,205,228
34,968,553	19,844,065	54,812,618
<u>\$ 37,019,333</u>	<u>\$ 20,998,513</u>	<u>\$ 58,017,846</u>

Fund Financial Statements

Balance Sheet
 Governmental Funds
 As of June 30, 2022

	General	Highway Maintenance	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 13,522,954	\$ -	\$ -	\$ 13,522,954
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,499,402	-	-	2,499,402
Accounts receivable	442,318	-	-	442,318
Interest receivable	15	-	-	15
Lease receivable	579,264	-	-	579,264
Due from other funds	1,154,481	271,158	8,151	1,433,790
Due from other governmental units	674,703	-	-	674,703
Inventories	36,252	-	-	36,252
Prepaid items	19,703	-	-	19,703
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	80,011	52,258	-	132,269
Total assets	<u>\$ 19,009,103</u>	<u>\$ 323,416</u>	<u>\$ 8,151</u>	<u>\$ 19,340,670</u>
LIABILITIES				
Accounts payable & other accrued expenditures	\$ 834,716	\$ 38,263	\$ -	\$ 872,979
Accrued wages & payroll liabilities	119,210	11,055	-	130,265
Due to other funds	720,441	2,340	43	722,824
Unearned revenue	3,115,548	-	-	3,115,548
Due to other governmental units	392,087	-	-	392,087
Refunds to taxpayers	111,585	-	-	111,585
Total liabilities	<u>\$ 5,293,587</u>	<u>\$ 51,658</u>	<u>\$ 43</u>	<u>\$ 5,345,288</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 2,501,311	\$ -	\$ -	\$ 2,501,311
Leases receivable	573,128	-	-	573,128
Total deferred inflows of resources	<u>\$ 3,074,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,074,439</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	\$ 19,703	\$ -	\$ -	\$ 19,703
Inventory	36,252	-	-	36,252
Net lease receivable	6,136	-	-	6,136
Total nonspendable fund balance	<u>\$ 62,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,091</u>
Restricted:				
Pinewood Heights escrow	\$ 42,614	\$ -	\$ -	\$ 42,614
Highway maintenance	-	271,758	-	271,758
Police department expenditures	37,397	-	-	37,397
Total restricted fund balance	<u>\$ 80,011</u>	<u>\$ 271,758</u>	<u>\$ -</u>	<u>\$ 351,769</u>
Committed:				
Special projects	\$ 580,734	\$ -	\$ -	\$ 580,734
Windsor Castle	7,017	-	-	7,017
Total committed fund balance	<u>\$ 587,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 587,751</u>
Assigned:				
Capital projects	\$ -	\$ -	\$ 8,108	\$ 8,108
Total assigned fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,108</u>	<u>\$ 8,108</u>
Unassigned	<u>\$ 9,911,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,911,224</u>
Total fund balances	<u>\$ 10,641,077</u>	<u>\$ 271,758</u>	<u>\$ 8,108</u>	<u>\$ 10,920,943</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,009,103</u>	<u>\$ 323,416</u>	<u>\$ 8,151</u>	<u>\$ 19,340,670</u>

The notes to financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of June 30, 2022

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	10,920,943
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When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Town as a whole.

	29,767,867
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Items related to measurement of the net pension liability and net OPEB liabilities are considered deferred outflows or deferred inflows of resources and will be recognized in pension and OPEB expense over future years. Certain deferred outflows represent a reduction in current expense for contributions to be recognized in a future period.

Deferred outflows - pension related	\$	882,526	
Deferred outflows - OPEB related		286,550	
Deferred inflows - pension related		(1,594,126)	
Deferred inflows - OPEB related		(192,050)	(617,100)

Pension assets are long-term assets and not available to pay for current-period expenditures and, therefore, are reported in the Statement of Net Position.

Net pension asset	1,344,309
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue.

Unavailable revenue related to property taxes	175,120
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Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.

(14,788)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Bonds and notes	\$	(3,439,284)	
Lease liabilities		(304,062)	
Compensated absences		(180,420)	
Net OPEB liabilities		(633,252)	(4,557,018)

Net position of governmental activities	\$	37,019,333
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The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2022

	General	Highway Maintenance	Capital Projects	Total
REVENUES				
General property taxes	\$ 3,225,845	\$ -	\$ -	\$ 3,225,845
Other local taxes	4,431,744	-	-	4,431,744
Permits, privilege fees, and regulatory licenses	343,360	-	-	343,360
Fines and forfeitures	39,789	-	-	39,789
Revenue from the use of money and property	432,767	175	-	432,942
Miscellaneous	141,239	-	-	141,239
Intergovernmental:				
Commonwealth	1,031,325	1,311,487	-	2,342,812
Federal	921,615	-	-	921,615
Total revenues	<u>\$ 10,567,684</u>	<u>\$ 1,311,662</u>	<u>\$ -</u>	<u>\$ 11,879,346</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,295,904	\$ -	\$ -	\$ 1,295,904
Public safety	2,686,409	-	-	2,686,409
Public works	821,519	1,244,828	-	2,066,347
Parks, recreation, and cultural	1,361,728	-	-	1,361,728
Community development	1,163,287	-	-	1,163,287
Capital projects	1,339,911	-	-	1,339,911
Debt service:				
Principal retirement	463,248	-	-	463,248
Interest and other fiscal charges	67,843	-	-	67,843
Total expenditures	<u>\$ 9,199,849</u>	<u>\$ 1,244,828</u>	<u>\$ -</u>	<u>\$ 10,444,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,367,835</u>	<u>\$ 66,834</u>	<u>\$ -</u>	<u>\$ 1,434,669</u>
OTHER FINANCING SOURCES (USES)				
Issuance of leases	<u>\$ 153,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,977</u>
Total other financing sources (uses)	<u>\$ 153,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,977</u>
Net change in fund balances	\$ 1,521,812	\$ 66,834	\$ -	\$ 1,588,646
Fund balances - beginning	<u>9,119,265</u>	<u>204,924</u>	<u>8,108</u>	<u>9,332,297</u>
Fund balances - ending	<u><u>\$ 10,641,077</u></u>	<u><u>\$ 271,758</u></u>	<u><u>\$ 8,108</u></u>	<u><u>\$ 10,920,943</u></u>

The notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds	\$	1,588,646
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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 and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$	1,310,856	
Depreciation expense		<u>(1,234,843)</u>	76,013

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax revenue			127,923
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The issuance of long-term debt (e.g. bonds, leases) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Issuance of leases	\$	(153,977)	
Principal retired on general obligation bonds, leases and notes		<u>463,248</u>	309,271

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$	5,615	
Change in net pension asset/liability		1,793,877	
Change in net OPEB liabilities		(23,579)	
Change in deferred inflows related to the net OPEB liabilities		(66,123)	
Change in deferred inflows related to the net pension liability		(1,564,447)	
Change in deferred outflows related to net pension liability		(265,373)	
Change in deferred outflows related to net OPEB liabilities		66,817	
Change in accrued interest payable		<u>2,140</u>	<u>(51,073)</u>

Change in net position of governmental activities	\$	<u><u>2,050,780</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 As of June 30, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,482,194	\$ 2,271,390	\$ 3,753,584
Receivables, net of allowances for uncollectibles accounts	416,943	244,399	661,342
Due from other funds	272,275	183,183	455,458
Due from other governmental units	-	3,853	3,853
Inventory	156,269	37,262	193,531
Total current assets	\$ 2,327,681	\$ 2,740,087	\$ 5,067,768
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 1,004,401	\$ 2,823,125	\$ 3,827,526
Net pension asset	175,750	109,823	285,573
Capital assets:			
Land	204,391	10,090	214,481
Improvements other than buildings	115,140	20,087	135,227
Vehicles	145,946	660,318	806,264
Buildings and systems	7,773,189	4,211,631	11,984,820
Machinery and equipment	2,153,847	4,249,210	6,403,057
Infrastructure	4,660,392	9,464,582	14,124,974
Construction in progress	244,781	-	244,781
Accumulated depreciation	(5,790,709)	(11,879,826)	(17,670,535)
Total capital assets	\$ 9,506,977	\$ 6,736,092	\$ 16,243,069
Total noncurrent assets	\$ 10,687,128	\$ 9,669,040	\$ 20,356,168
Total assets	\$ 13,014,809	\$ 12,409,127	\$ 25,423,936
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 115,378	\$ 72,099	\$ 187,477
OPEB related items	6,404	4,002	10,406
Total deferred outflows of resources	\$ 121,782	\$ 76,101	\$ 197,883
LIABILITIES			
Current liabilities:			
Accounts payable & other accrued expenses	\$ 172,834	\$ 157,365	\$ 330,199
Accrued wages & payroll liabilities	14,296	9,350	23,646
Customer deposits	84,830	-	84,830
Accrued interest payable	7,672	10,171	17,843
Due to other funds	749,833	416,591	1,166,424
Compensated absences - current portion	6,495	6,137	12,632
Notes payable - current portion	-	88,419	88,419
Bonds payable - current portion	259,949	50,630	310,579
Total current liabilities	\$ 1,295,909	\$ 738,663	\$ 2,034,572
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 931,513	\$ -	\$ 931,513
Notes payable - net of current portion	834,275	413,461	1,247,736
Net OPEB liabilities	19,710	12,317	32,027
Compensated absences - net of current portion	14,383	11,224	25,607
Total noncurrent liabilities	\$ 1,799,881	\$ 437,002	\$ 2,236,883
Total liabilities	\$ 3,095,790	\$ 1,175,665	\$ 4,271,455
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 208,410	\$ 130,232	\$ 338,642
OPEB related items	8,129	5,080	13,209
Total deferred inflows of resources	\$ 216,539	\$ 135,312	\$ 351,851
NET POSITION			
Net investment in capital assets	\$ 7,442,389	\$ 6,107,639	\$ 13,550,028
Restricted	1,095,321	2,932,948	4,028,269
Unrestricted	1,286,552	2,133,664	3,420,216
Total net position	\$ 9,824,262	\$ 11,174,251	\$ 20,998,513

The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,592,800	\$ 1,260,804	\$ 2,853,604
Charges for services-debt service	259,380	-	259,380
Miscellaneous	36,733	30,828	67,561
Total operating revenues	\$ 1,888,913	\$ 1,291,632	\$ 3,180,545
OPERATING EXPENSES			
Personnel services	\$ 427,563	\$ 284,009	\$ 711,572
Employee benefits	93,299	65,191	158,490
Contractual	55,911	29,963	85,874
Maintenance, repairs, and truck operations	181,801	248,744	430,545
HRSD	386,387	-	386,387
Utilities	128,474	49,001	177,475
Supplies	301,843	49,710	351,553
Other charges	72,510	59,831	132,341
Depreciation	390,143	443,444	833,587
Total operating expenses	\$ 2,037,931	\$ 1,229,893	\$ 3,267,824
Operating income (loss)	\$ (149,018)	\$ 61,739	\$ (87,279)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue			
Federal	\$ 456,338	\$ 235,626	\$ 691,964
Investment income	6,087	7,870	13,957
Gain on disposal of capital assets	-	12,870	12,870
Interest expense and other fiscal charges	(26,647)	(13,817)	(40,464)
Total nonoperating revenues (expenses)	\$ 435,778	\$ 242,549	\$ 678,327
Income (loss) before contributions	\$ 286,760	\$ 304,288	\$ 591,048
Contributed capital - availability fees	\$ 204,000	\$ 309,000	\$ 513,000
Contributed capital - development impact fees	25,200	25,200	50,400
Total contributed capital	\$ 229,200	\$ 334,200	\$ 563,400
Change in net position	\$ 515,960	\$ 638,488	\$ 1,154,448
Total net position - beginning	9,308,302	10,535,763	19,844,065
Total net position - ending	\$ 9,824,262	\$ 11,174,251	\$ 20,998,513

The notes to financial statements are an integral part of this statement.

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,918,069	\$ 1,319,963	\$ 3,238,032
Payments to suppliers	(995,158)	(66,093)	(1,061,251)
Payments to and on behalf of employees	(518,744)	(345,818)	(864,562)
Net cash provided by (used for) operating activities	\$ 404,167	\$ 908,052	\$ 1,312,219
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue	\$ 456,338	\$ 235,626	\$ 691,964
Net cash provided by (used for) noncapital financing activities	\$ 456,338	\$ 235,626	\$ 691,964
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (1,141,759)	\$ (396,087)	\$ (1,537,846)
Capital contributions	268,051	410,143	678,194
Proceeds from sale of capital assets	-	12,870	12,870
Retirement of long-term indebtedness	(385,071)	(83,393)	(468,464)
Proceeds from indebtedness	325,340	-	325,340
Interest expense	(26,506)	(10,612)	(37,118)
Net cash provided by (used for) capital and related financing activities	\$ (959,945)	\$ (67,079)	\$ (1,027,024)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 6,087	\$ 7,870	\$ 13,957
Net cash provided by (used for) investing activities	\$ 6,087	\$ 7,870	\$ 13,957
Net increase (decrease) in cash and cash equivalents	\$ (93,353)	\$ 1,084,469	\$ 991,116
Cash and cash equivalents - beginning, including restricted cash and cash equivalents of \$985,911 and \$2,525,803	2,579,948	4,010,046	6,589,994
Cash and cash equivalents - ending, including restricted cash and cash equivalents of \$1,004,401 and \$2,823,125	\$ 2,486,595	\$ 5,094,515	\$ 7,581,110
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (149,018)	\$ 61,739	\$ (87,279)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	390,143	443,444	833,587
(Increase) decrease in accounts receivable	31,366	30,916	62,282
(Increase) decrease in due from other funds	(272,275)	(624)	(272,899)
(Increase) decrease in due from other governmental units	-	(2,585)	(2,585)
(Increase) decrease in inventory	(21,666)	(3,045)	(24,711)
(Increase) decrease in net pension asset	(175,750)	(109,823)	(285,573)
Increase (decrease) in compensated absences	(5,542)	441	(5,101)
Increase (decrease) in accrued payroll	3,806	535	4,341
Increase (decrease) in due to other funds	394,830	329,341	724,171
Increase (decrease) in accounts payable	30,879	45,484	76,363
Increase (decrease) in net pension liability	(58,775)	(36,727)	(95,502)
Increase (decrease) in net OPEB liabilities	(8,812)	(5,506)	(14,318)
(Increase) decrease in deferred outflows of resources - OPEB related	1,217	760	1,977
Increase (decrease) in deferred inflows of resources - OPEB related	6,749	4,216	10,965
(Increase) decrease in deferred outflows of resources - pension related	34,695	21,679	56,374
Increase (decrease) in deferred inflows of resources - pension related	204,530	127,807	332,337
Increase (decrease) in customer deposits	(2,210)	-	(2,210)
Total adjustments	\$ 553,185	\$ 846,313	\$ 1,399,498
Net cash provided by (used for) operating activities	\$ 404,167	\$ 908,052	\$ 1,312,219
Noncash investing, capital, and financing activities:			
Increase (decrease) in accounts payable, capital related	\$ 38,851	\$ 75,943	\$ 114,794

The notes to financial statements are an integral part of this statement.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

Town of Smithfield, Virginia (Town) is a political subdivision of the Commonwealth of Virginia governed by an elected seven member Town Council. The Town provides a full range of services for its citizens. These services include water and sewer services, public safety, recreational activities, community development and cultural events.

The financial statements of Town of Smithfield, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town does not have any discretely presented component units.

B. Government-wide and Fund Financial Statements

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-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.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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 or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget and the actual activity of the major governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, meals tax, transient occupancy tax and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The following is a brief description of the specific funds used by the Town.

1. *Governmental Funds:*

Governmental Funds are those through which most governmental functions typically are financed.

- a. *General Fund* - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund is considered a major fund for reporting purposes.
- b. *Special Revenue Fund* - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Highway Maintenance Fund, which is considered a major fund.
- c. *Capital Projects Fund* - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Town Capital Projects Fund is considered a major fund.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

2. *Proprietary Funds:*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of enterprise funds.

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. The enterprise funds consist of the Water and Sewer Funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues consist of charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets and Budgetary Accounting

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

1. On or before May 1 of each year, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public notice regarding the proposed budget is circulated in accordance with Virginia statute, and at least one public hearing is conducted at the Smithfield Center to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriation resolution. Town Council may approve supplemental appropriations.
4. The legal level of control is at the function level within an individual fund. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions between departments, from the contingency line item, or that alter the total expenditures of any fund must be approved by Town Council.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Highway Maintenance Fund, Water Fund and Sewer Fund.
6. The budgets for the General Fund, Highway Maintenance Fund, Water Fund and Sewer Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. A review of the presented budget comparisons herein will disclose how accurately Town Council was actually able to forecast the revenues and expenditures of the Town.
8. Appropriations lapse on June 30, unless carried forward by a resolution of Town Council.
9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2022.
10. Expenditures exceeded appropriations in the community development function within the general fund for the year ended June 30, 2022.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

G. Inventory and Prepaid Items

All inventories, which consist of materials and supplies, are valued at cost using the weighted average method. Reported inventories are accounted for under the consumption method (i.e., recorded as expenditures when used) in the proprietary funds. The cost is recorded as an expenditure at the time individual inventory items are consumed. Quantities on hand at year end are recorded at cost on the balance sheet.

H. Allowance for Uncollectible Accounts

The Town calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes was \$47,037 at June 30, 2022. The allowance for uncollectible billings in the water and sewer funds are \$100,106 and \$64,854, respectively.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town, and as assets in the government-wide financial statements to the extent that the Town's capitalization threshold of \$25,000 and estimated useful life of greater than one year is met. Contributed assets are reported at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Art Collections	15 Years
Buildings and System	10-50 Years
Vehicles	5-7 Years
Machinery and Equipment	3-30 Years
Infrastructure	30-65 Years
Improvements Other than Buildings	10-50 Years
Lease assets - vehicles	5 Years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

J. Compensated Absences

Town employees are granted vacation and sick leave based on the employee's length of service and position. They may accumulate, subject to certain limitations, unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for certain amounts at their then current rate of pay. The accumulated annual sick and vacation leave estimated to be payable upon separation are recorded in the accompanying government-wide financial statements. The current amount of leave liability has been estimated. The balance of compensated absences has been reported as a long-term liability.

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on 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.

L. Use of Estimates

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

M. Intergovernmental Agreements

Water Services Agreement:

Effective June 5, 2018 the Town amended and extended an existing agreement with the County of Isle of Wight (“County”) to provide water to certain areas of the County. Pursuant to the agreement, the County will pay the Town the prevailing rate per 1,000 gallons, as set by Isle of Wight County through its membership with the Western Tidewater Water Authority. Billing will be provided on a bi-monthly basis. After the close of the fiscal year, the Town and County will complete a true-up of usage, rates and annual billings. The agreement shall remain in place for a 10-year period commencing July 1, 2018.

Tourism Agreement:

The Town has a memorandum of understanding with Isle of Wight County to share the operating costs of the tourism center located in Smithfield. The tourism center is for the benefit of both Smithfield and Isle of Wight County. The total amount the Town expended related to this memorandum of understanding in fiscal year 2022 was \$262,728.

Erosion and Sediment Control Plan:

The Town has a memorandum of understanding with Isle of Wight County to develop an erosion and sediment control plan for each zoning permit that it issues. There were no expenditures related to this agreement in fiscal year 2022.

Fats, Oils, and Grease Control:

The Town, along with several other localities, has entered into a memorandum of understanding agreement with Hampton Roads Sanitation District related to control of the amounts of fats, oils, and grease draining into sanitary sewers from food service establishments. The total amount the Town expended during fiscal year 2022 was nominal and is not currently tracked or reported separately by the Town.

Law Enforcement Mutual Aid Agreement:

The Town has entered into a mutual aid agreement with several other localities to provide police and sheriff support across jurisdictional lines. There were no expenditures related to this agreement in fiscal year 2022.

Emergency Communications Center:

The Town has entered into a memorandum of understanding with other nearby localities to establish an emergency communications center to serve as a central dispatch facility for police, fire and EMS. The total amount the Town expended related to this memorandum of understanding in 2022 was \$317,902.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

O. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and LODA OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Q. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

R. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

R. Fund Balance: (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance / resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year-end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

S. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Town recognizes significant lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$25,000, in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

S. Leases (Continued)

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

All deposits of the Town are held in banks covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (Act) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

As of June 30, 2022, the Town had the following investments:

Town's Rated Debt Investments

<u>Rated Debt Investments Value</u>	<u>Standard & Poor's Rating</u>
	<u>AA+f/s1</u>
VACo/VML Virginia Investment Pool	\$ <u>534,902</u>
Total	\$ <u><u>534,902</u></u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town has measured fair value of the above investments at the net asset value (NAV).

Redemption Restrictions

The Town is limited to two VACO/VML Virginia Investment Pool withdrawals per month which requires a five day notice.

Investment Credit Policy

The Town's investment policy permits the Town to invest any and all funds belonging to the Town or in the Town's control in the following:

1. U.S. Government Obligations - Stocks, bonds, notes and other evidences of indebtedness of the United States, its agencies or government sponsored corporations. These securities can be held directly or in the form of a registered money market or mutual funds provided that the portfolio of the fund is limited to such evidences of indebtedness.
2. Municipal Obligations - Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia, or of any county, city, town, district, authority or public body of the Commonwealth of Virginia with an investment grade from two of the rating agencies of at least A by Moody's, A by S&P, or A by Fitch.
3. Overnight, term or open Repurchase agreements collateralized by U.S. Treasury/Agency Securities. The repurchase agreement should have a term to maturity of not greater than (90) days. The collateral for overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement.
4. Corporate Notes - Issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States that has a minimum "Aa" long-term debt rating by Moody's Investor's Service and a minimum "AA" long-term debt rating by Standard & Poor's. The amount invested in any single issuing corporation will not exceed five percent (5%) of the total funds available for investment (based on book value at the date of acquisition).
5. Negotiable Certificates of Deposit and Bank Deposit Notes of domestic banks and domestic offices of foreign banks. Must have a rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investor Service, Inc., for maturities of one year or less and a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service for maturities over one year and not exceed five years.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Credit Policy: (Continued)

6. Commercial paper - Unsecured short-term debt of U.S. corporations may be purchased if the following conditions are met:
 - a) The maturity is no greater than two hundred-seventy (270) days;
 - b) No more than five percent (5%) of the total funds available for investment (based on book value on the date of acquisition) may be invested in commercial paper;
 - c) The amount invested in any single issuing corporation will not exceed five percent (5%) of the total funds available for investment (based on book value on the date of acquisition);
 - d) The issuing corporation, or its guarantor, has a net worth of at least \$50 million;
 - e) The net income of the issuing corporation, or its guarantor, has averaged \$3 million per year for the previous five years; and
 - f) The issuing corporation, or its guarantor, has a short-term debt rating of no less than “A-1” (or its equivalent) by at least two of following; Moody’s Investors Service, Standard & Poor’s, Fitch Investor’s Service and Duff and Phelps.
7. Registered Investment Companies (Mutual Funds) - Shares in open-end investment funds provided such funds are registered under the Federal Investment Company Act of 1940, invest exclusively in the securities permitted under this investment policy, provided that the fund is rated “AAm” or “AAm-G” or better by Standard & Poor’s Corporation, or equivalent by other rating agencies. The fund must also be properly registered for sale under the Securities Act (Section 13.1-501 et. seq.) of the Code of Virginia.
8. State Pool - The pooled investment fund (known as the Virginia Local Government Investment Pool or “LGIP”) as provided for in Section 2.2-4600 et seq. of the Code of Virginia.
9. VACo/VML Virginia Investment Pool - This pooled investment fund as provided for in Sections 2.2-4501, 15.2-1500, and 15.2-1300 of the Code of Virginia.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The Town's investment policy requires that no investment maturity or duration exceed five years.

<u>Investment Type</u>	<u>Investment Maturity*</u>	
	<u>Fair Value</u>	<u>1-5 Years</u>
VACo/VML Virginia Investment Pool	\$ <u>534,902</u>	\$ <u>534,902</u>
Total investments	\$ <u><u>534,902</u></u>	\$ <u><u>534,902</u></u>

* Weighted average maturity in years.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Town's investment policy states that all securities and investments shall be in the name of the Town.

Concentration of Investment Credit Risk

The Town's investment policy requires the following diversification to mitigate concentration of investment credit risk:

1. The portfolio will be diversified with no more than five percent of its value invested in the securities of any single issuer. This limitation shall not apply to securities of the Commonwealth of Virginia, the U.S. Government, insured certificates of deposit, the Commonwealth of Virginia Local Government Investment Pool, and the VACo/VML Virginia Investment Pool.
2. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Government Obligations	100% maximum
Registered Money Market Mutual Funds	100% maximum
State of Virginia LGIP	100% maximum
Repurchase Agreements	50% maximum
Commercial Paper	5% maximum
Negotiable Certificates of Deposit/Bank Notes	75% maximum
Municipal Obligations	20% maximum
Corporate Notes	15% maximum
Bank Deposits	100% maximum

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Restricted and Designated Cash

Restricted cash and cash equivalents of the Town’s governmental funds and business-type activities at June 30, 2022, are detailed as follows:

	<u>General</u>	<u>Highway Maintenance</u>	<u>Business-type Activities</u>	
			<u>Water</u>	<u>Sewer</u>
Pinewood Heights escrow	\$ 42,614	\$ -	\$ -	\$ -
Police Department	37,397	-	-	-
Highway maintenance	-	52,258	-	-
Debt service	-	-	890,962	-
Compliance escrow	-	-	-	2,823,125
Customer deposits	-	-	113,439	-
Total	<u>\$ 80,011</u>	<u>\$ 52,258</u>	<u>\$ 1,004,401</u>	<u>\$ 2,823,125</u>

The Town designates cash and cash equivalents for the following purposes. The cash and cash equivalents are designated by actions of the Town Council and therefore do not meet the criteria for restricted.

	<u>General</u>	<u>Business-type Activities</u>		<u>Total Primary Government</u>
		<u>Water</u>	<u>Sewer</u>	
Special projects	\$ 580,734	\$ -	\$ -	\$ 580,734
Windsor Castle	7,017	-	-	7,017
Escrow	-	804,048	1,377,514	2,181,562
Total	<u>\$ 587,751</u>	<u>\$ 804,048</u>	<u>\$ 1,377,514</u>	<u>\$ 2,769,313</u>

NOTE 3—RECEIVABLES:

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 2,546,439	\$ -
Consumer utility taxes	15,635	-
Consumption taxes	5,575	-
Interest	15	-
Transient occupancy tax	68,887	-
Meals tax	352,221	-
Water and sewer billings	-	826,302
Total	<u>\$ 2,988,772</u>	<u>\$ 826,302</u>
Allowance for uncollectibles	<u>(47,037)</u>	<u>(164,960)</u>
Net receivables	<u>\$ 2,941,735</u>	<u>\$ 661,342</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 4—DUE FROM/TO OTHER GOVERNMENTS:

Details of amounts due from/to other governments as of June 30, 2022 are as follows:

Governmental Activities:	<u>Due From</u>	<u>Due To</u>
Commonwealth:		
Communications Tax	\$ 27,058	\$ -
Urban Funds	327,451	-
Other	5,700	41,150
Due from/to Commonwealth	<u>\$ 360,209</u>	<u>\$ 41,150</u>
Isle of Wight County:		
Local Sales Tax	\$ 135,882	\$ -
Fines	7,246	-
Other	82,857	350,937
Due from/to Isle of Wight County	<u>\$ 225,985</u>	<u>\$ 350,937</u>
Due from Federal Government:		
VDOT construction	\$ 88,509	\$ -
Due from Federal Government	<u>\$ 88,509</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 674,703</u>	<u>\$ 392,087</u>
Business-type Activities:		
Isle of Wight County	<u>\$ 3,853</u>	<u>\$ -</u>

All amounts due from other governments are expected to be collected within one year.

NOTE 5—INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances are considered short-term in nature. All balances result from the time-lag between the dates that reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. At June 30, 2022, the balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ 1,154,481	\$ 720,441
Highway Fund	271,158	2,340
Capital Projects Fund	8,151	43
Enterprise Funds:		
Water Fund	272,275	749,833
Sewer Fund	183,183	416,591
Total	<u>\$ 1,889,248</u>	<u>\$ 1,889,248</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of changes in capital assets:

Governmental Activities:	Balance July 1, 2021 *	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 10,146,637	\$ 59,521	\$ -	\$ 10,206,158
Construction in progress	579,857	695,159	-	1,275,016
Total capital assets not being depreciated	<u>\$ 10,726,494</u>	<u>\$ 754,680</u>	<u>\$ -</u>	<u>\$ 11,481,174</u>
Capital assets being depreciated:				
Art collections	\$ 118,466	\$ -	\$ -	\$ 118,466
Buildings and system	9,704,917	-	-	9,704,917
Improvements other than buildings	5,662,120	-	-	5,662,120
Machinery and equipment	2,272,833	14,270	-	2,287,103
Vehicles	1,378,234	-	-	1,378,234
Lease vehicles	210,899	153,977	-	364,876
Infrastructure	11,971,506	387,929	-	12,359,435
Total capital assets being depreciated	<u>\$ 31,318,975</u>	<u>\$ 556,176</u>	<u>\$ -</u>	<u>\$ 31,875,151</u>
Accumulated depreciation:				
Art collections	\$ (107,929)	\$ -	\$ -	\$ (107,929)
Buildings and system	(2,989,240)	(253,776)	-	(3,243,016)
Improvements other than buildings	(1,694,983)	(318,201)	-	(2,013,184)
Machinery and equipment	(1,308,609)	(166,332)	-	(1,474,941)
Vehicles	(1,163,751)	(77,141)	-	(1,240,892)
Lease vehicles	-	(63,925)	-	(63,925)
Infrastructure	(5,089,103)	(355,468)	-	(5,444,571)
Total accumulated depreciation	<u>\$ (12,353,615)</u>	<u>\$ (1,234,843)</u>	<u>\$ -</u>	<u>\$ (13,588,458)</u>
Net capital assets being depreciated	<u>\$ 18,965,360</u>	<u>\$ (678,667)</u>	<u>\$ -</u>	<u>\$ 18,286,693</u>
Capital assets, net	<u>\$ 29,691,854</u>	<u>\$ 76,013</u>	<u>\$ -</u>	<u>\$ 29,767,867</u>

* Beginning balances have been restated to reflect implementation of GASB Statement No. 87.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 204,481	\$ 10,000	\$ -	\$ 214,481
Construction in progress	1,004,664	244,781	1,004,664	244,781
Total capital assets not being depreciated	\$ 1,209,145	\$ 254,781	\$ 1,004,664	\$ 459,262
Capital assets being depreciated:				
Buildings and system	\$ 11,984,820	\$ -	\$ -	\$ 11,984,820
Machinery and equipment	6,269,263	133,794	-	6,403,057
Infrastructure	11,971,041	2,153,933	-	14,124,974
Improvements other than buildings	135,227	-	-	135,227
Vehicles	915,462	-	109,198	806,264
Total capital assets being depreciated	\$ 31,275,813	\$ 2,287,727	\$ 109,198	\$ 33,454,342
Accumulated depreciation:				
Buildings and system	\$ (4,847,610)	\$ (243,647)	\$ -	\$ (5,091,257)
Machinery and equipment	(3,827,378)	(311,323)	-	(4,138,701)
Infrastructure	(7,818,261)	(196,515)	-	(8,014,776)
Improvements other than buildings	(64,479)	(6,761)	-	(71,240)
Vehicles	(388,418)	(75,341)	(109,198)	(354,561)
Total accumulated depreciation	\$ (16,946,146)	\$ (833,587)	\$ (109,198)	\$ (17,670,535)
Net capital assets being depreciated	\$ 14,329,667	\$ 1,454,140	\$ -	\$ 15,783,807
Capital assets, net	\$ 15,538,812	\$ 1,708,921	\$ 1,004,664	\$ 16,243,069

Depreciation expense was charged to functions of the Town as follows:

Governmental activities:

General government administration	\$ 36,628
Public safety	223,549
Public works (Highways and streets)	456,937
Parks, recreation and cultural	517,729
Total governmental activities	\$ 1,234,843
Business-type activities	\$ 833,587

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Contract Commitments

Contract commitments of the Town at June 30, 2022 related to capital assets are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Urban Fund Projects:		
Intersection Improvement-Benns Church Blvd/258/Rt. 10	\$ 693,561	\$ 374,135
Nike Park Recreational Trail-S Church alternatives	157,850	108,538
MUNIS Conversion	232,020	105,063
LSC Lighting Project-ARPA	59,245	255,755
LSC & WCP Maintenance Buildings	17,450	382,550
Wilson Tank Rehab	24,545	425,455
Pagan Water Main Replacement	146,970	268,148
Relocate water services	16,565	33,435
Second RO Skid/Plant Upgrade	57,702	442,298
Total	\$ <u>1,405,908</u>	\$ <u>2,395,377</u>

NOTE 7—LINE OF CREDIT:

On July 31, 2012, the Town entered into an agreement with Farmers Bank for a line of credit of \$1,000,000 in order to assist the Town in financing capital projects. The variable interest rate is calculated based on the Wall Street Journal Prime Rate. At June 30, 2022, the interest rate being charged to the Town was 4.75%. There was no activity during the year or balance outstanding. The unsecured line was renewed through July 31, 2023.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS:

Governmental activities obligations

The following is a summary of changes in long-term obligations:

	<u>Balance July 1, 2021 *</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2022</u>
Direct borrowings and direct placements:				
General obligation bonds payable	\$ 3,634,767	\$ -	\$ (293,859)	\$ 3,340,908
Notes payable	206,951	-	(108,575)	98,376
Other liabilities:				
Lease liabilities	210,899	153,977	(60,814)	304,062
Net OPEB liabilities	609,673	435,256	(411,677)	633,252
Net pension liability	449,568	965,726	(1,415,294)	-
Compensated absences	186,035	-	(5,615)	180,420
Totals	<u>\$ 5,297,893</u>	<u>\$ 1,554,959</u>	<u>\$ (2,295,834)</u>	<u>\$ 4,557,018</u>

* Beginning balances have been restated to reflect implementation of GASB Statement No. 87.

Annual requirements for the bonds, notes and leases for governmental activities are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements			
	Bonds & Notes Payable		Lease Liabilities	
	Principal	Interest	Principal	Interest
2023	\$ 397,797	\$ 56,232	\$ 73,377	\$ 6,563
2024	304,056	49,701	75,202	4,738
2025	308,691	44,590	77,082	2,858
2026	314,253	39,385	66,165	959
2027	319,815	34,103	12,236	57
2028-2032	1,679,724	87,968	-	-
2033	114,948	963	-	-
Total	<u>\$ 3,439,284</u>	<u>\$ 312,942</u>	<u>\$ 304,062</u>	<u>\$ 15,175</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental activities obligations: (Continued)

Details of Long-term Obligations

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements:		
Bonds Payable:		
\$4,176,000 (allocated \$3,871,152 to governmental activities and \$304,848 to business-type activities) General Obligation Refunding Taxable Bond Series 2020A-2 dated August 16, 2020 with principal payable semi-annually in variable amounts, bearing interest at 1.676% payable semi-annually, maturing October 2032.	\$ 3,340,908	\$ 299,421
Notes Payable:		
\$434,300 note payable dated April 24, 2015. Payments due annually with the final installment due 2023, bearing interest at 3.05%.	\$ 50,480	\$ 50,480
\$245,000 note dated July 2018 for the purchase of E-911 radio equipment, payable annually with final installment due July 2022, bearing interest at 1.65%.	<u>47,896</u>	<u>47,896</u>
Total Notes Payable	<u>\$ 98,376</u>	<u>\$ 98,376</u>
Other Liabilities:		
Lease Liabilities:		
\$210,899 comprised of 8 separate leases issued in varying individual amounts from \$23,025 to \$37,657 during fiscal year 2021. The leases are payable monthly over a 60 month period with principal and interest in variable amounts. Discount rates from 3.19% to 3.550%. The leases were issued to acquire Town vehicles.	\$ 168,611	\$ 43,418
\$153,977 comprised of 4 separate leases entered into with an individual amount of \$42,004 during fiscal year 2022. The leases are payable monthly over a 60 month period with principal and interest. Discount rate of 4.30%. The leases were issued to acquire Town vehicles.	<u>135,451</u>	<u>29,959</u>
Total Lease Liabilities	<u>\$ 304,062</u>	<u>\$ 73,377</u>
Compensated Absences (Note 9)	<u>\$ 180,420</u>	<u>\$ 66,659</u>
Net OPEB liabilities (Note 11)	<u>\$ 633,252</u>	<u>\$ -</u>
Total governmental activities obligations	<u><u>\$ 4,557,018</u></u>	<u><u>\$ 537,833</u></u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations

The following is a summary of changes in long-term obligations:

	<u>Balance July 1, 2021*</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2022</u>
Direct borrowings and direct placements:				
General obligation bonds payable	\$ 1,619,233	\$ -	\$ (377,141)	\$ 1,242,092
Notes payable	1,102,138	325,340	(91,323)	1,336,155
Other liabilities:				
Net pension liability	95,502	205,151	(300,653)	-
Net OPEB liabilities	46,345	11,283	(25,602)	32,027
Compensated absences	43,340	-	(5,101)	38,239
Totals	<u>\$ 2,906,558</u>	<u>\$ 541,774</u>	<u>\$ (799,820)</u>	<u>\$ 2,648,513</u>

Annual requirements for the bonds and notes for business-type activities are as follows:

Year Ending June 30,	<u>Direct Borrowings and Direct Placements</u>			
	<u>General Obligation Bonds</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 310,579	\$ 15,028	\$ 88,419	\$ 25,038
2024	252,944	11,477	1,057,514	15,370
2025	255,309	8,335	93,725	5,624
2026	256,747	4,483	96,497	2,853
2027	25,185	2,686	-	-
2028-2032	132,276	6,927	-	-
2033	9,052	76	-	-
Total	<u>\$ 1,242,092</u>	<u>\$ 49,012</u>	<u>\$ 1,336,155</u>	<u>\$ 48,885</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations: (Continued)

Details of Long-term Obligations

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements:		
Bonds Payable:		
\$1,147,000 General Obligation Refunding Tax Exempt Bond Series 2020A-1 dated August 7, 2020 with principal payable semi-annually in variable amounts, bearing interest at 1.191% payable semi-annually, maturing October 2025.	\$ 918,000	\$ 226,000
\$918,000 Series 2015A General Obligation Refunding Bond dated March 12, 2015 with principal payable annually, bearing interest at 1.50% payable semi-annually maturing on August 1, 2022.	61,000	61,000
\$4,176,000 (allocated \$3,871,152 to governmental activities and \$304,848 to business-type activities) General Obligation Refunding Taxable Bond Series 2020A-2 dated August 16, 2020 with principal payable semi-annually in variable amounts, bearing interest at 1.676% payable semi-annually, maturing October 2032.	<u>263,092</u>	<u>23,579</u>
Total Bonds Payable	<u>\$ 1,242,092</u>	<u>\$ 310,579</u>
Notes Payable:		
\$1,650,000 (\$966,480 drawn down as of June 30, 2022) General Obligation Note payable Series 2020G dated August 25, 2020. Interest payments semi-annually at 1.45% with final balloon payment due October 2023.	\$ 966,480	\$ -
\$460,998 note payable dated January 25, 2021 for the purchase of a vacuum truck, payable annually with principal and interest due each August with a final payment due August 2025 bearing interest at 2.96%	<u>369,675</u>	<u>88,419</u>
Total Notes Payable	<u>\$ 1,336,155</u>	<u>\$ 88,419</u>
Other liabilities		
Compensated Absences (Note 9)	<u>\$ 38,239</u>	<u>\$ 12,632</u>
Net OPEB liabilities (Note 11)	<u>\$ 32,027</u>	<u>\$ -</u>
Total business-type obligations	<u>\$ 2,648,513</u>	<u>\$ 411,630</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 9—COMPENSATED ABSENCES:

Annual Leave Accrual

Each employee earns annual leave on a monthly basis for each month of service. The rate at which annual leave is accrued is dependent upon the length of the employee's service with the Town.

In lieu of taking regular vacation, an employee may request, before April 1, to be paid at his regular hourly rate for up to five days of unused earned leave. The payout is made on the first payroll in July. Leave not taken or time for which the employee has not been compensated may be carried over to the next year. However, no more than 10 days may be carried over.

Sick Leave

Each employee is eligible for eight hours of sick leave per month beginning the first month of employment. Unused sick leave may be accumulated and carried forward to succeeding years. Upon retirement, each employee who has completed three years of continuous service is eligible to receive payment for unused sick leave hours at 25% of the employee's hourly rate at the time of termination, not to exceed \$2,500.

At June 30, 2022, accumulated vacation and sick leave for the governmental funds amounted to \$180,420 of which \$66,659 is short-term.

At June 30, 2022, accumulated vacation and sick leave for the proprietary funds amounted to \$38,239 of which \$12,632 is short-term.

NOTE 10—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

NOTE 10—PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	30
Inactive members:	
Vested inactive members	14
Non-vested inactive members	26
Inactive members active elsewhere in VRS	<u>36</u>
Total inactive members	76
Active members	<u>67</u>
Total covered employees	<u><u>173</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required employer contribution rate for the year ended June 30, 2022 was 9.45% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$292,302 and \$263,602 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability (Asset)

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates: (Continued)

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	2.50%
		Expected arithmetic nominal return*	<u>7.39%</u>

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

30, 2021, the rate contributed by the employer for the Town’s Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 11,896,238	\$ 11,351,168	\$ 545,070
Changes for the year:			
Service cost	\$ 407,164	\$ -	\$ 407,164
Interest	789,433	-	789,433
Changes of benefit terms	157,949	-	157,949
Differences between expected and actual experience	(522,938)	-	(522,938)
Changes of assumptions	553,724	-	553,724
Contributions - employer	-	284,911	(284,911)
Contributions - employee	-	153,761	(153,761)
Net investment income	-	3,128,848	(3,128,848)
Benefit payments, including refunds	(401,879)	(401,879)	-
Administrative expenses	-	(7,534)	7,534
Other changes	-	298	(298)
Net changes	\$ 983,453	\$ 3,158,405	\$ (2,174,952)
Balances at June 30, 2021	\$ 12,879,691	\$ 14,509,573	\$ (1,629,882)

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

The following presents the net pension liability (asset) of the Town using the discount rate of 6.75%, as well as what the Town’s net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town Net Pension Liability (Asset)	\$ 265,523	\$ (1,629,882)	\$ (3,173,842)

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$357,190. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 348,577	\$ 371,362
Change in assumptions	429,124	-
Net difference between projected and actual earnings on pension plan investments	-	1,561,406
Employer contributions subsequent to the measurement date	292,302	-
Total	\$ 1,070,003	\$ 1,932,768

\$292,302 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2023	\$ (75,667)
2024	(247,024)
2025	(360,046)
2026	(472,330)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2021-annual-report.pdf> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS:

Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the Town were \$17,869 and \$17,501 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2022, the Town reported a liability of \$182,790 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion for the Town was .01570% as compared to .01585% at June 30, 2020.

For the year ended June 30, 2022, the Town recognized GLI OPEB expense of \$10,077. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,848	\$ 1,393
Net difference between projected and actual earnings on GLI OPEB program investments	-	43,628
Change in assumptions	10,077	25,010
Changes in proportionate share	10,593	5,356
Employer contributions subsequent to the measurement date	<u>17,869</u>	<u>-</u>
Total	<u>\$ 59,387</u>	<u>\$ 75,387</u>

\$17,869 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2023	\$ (6,417)
2024	(5,623)
2025	(5,739)
2026	(13,172)
2027	(2,918)
Thereafter	-

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	\$	<hr/> <hr/> 1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on the System’s investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town’s proportionate share of the GLI Plan Net OPEB Liability	\$ 267,063	\$ 182,790	\$ 114,736

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System’s actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers’ Retirement System (SPORS), or the Virginia Law Officers’ Retirement System (VaLORS) are automatically covered by the LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2022 was \$722.55 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$13,728 and \$15,064 for the years ended June 30, 2022 and June 30, 2021 respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2022, the Town reported a liability of \$482,489 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the entity's proportion was .10940% as compared to .09348% at June 30, 2020.

For the year ended June 30, 2022, the entity recognized LODA OPEB expense of \$42,932. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

At June 30, 2022, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,227	\$ 73,053
Net difference between projected and actual earnings on LODA OPEB plan investments	-	2,794
Change in assumptions	133,521	23,080
Change in proportionate share	50,093	30,945
Employer contributions subsequent to the measurement date	13,728	-
Total	<u>\$ 237,569</u>	<u>\$ 129,872</u>

\$13,728 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2023	\$ 9,586
2024	9,714
2025	9,752
2026	9,792
2027	13,661
Thereafter	41,464

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.375%-4.75%
Year of ultimate trend rate:	
Under age 65	Fiscal year ended 2029
Ages 65 and older	Fiscal year ended 2024
Investment rate of return	2.16%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 448,542
Plan Fiduciary Net Position	7,553
LODA Net OPEB Liability (Asset)	<u>\$ 440,989</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.68%

The total LODA OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 2.16% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments’ 6.75% assumption. Instead, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2021.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer’s Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 2.16%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	Discount Rate		
	1% Decrease (1.16%)	Current (2.16%)	1% Increase (3.16%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 555,040	\$ 482,489	\$ 424,842

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Sensitivity of the Covered Employer’s Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate:

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 395,895	\$ 482,489	\$ 593,521

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate OPEB Information

	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:				
GLI Plan	\$ 59,387	\$ 75,387	\$ 182,790	\$ 10,077
LODA Program	237,569	129,872	482,489	42,932
Totals	\$ 296,956	\$ 205,259	\$ 665,279	\$ 53,009

NOTE 12—CONTINGENT LIABILITIES:

Federal assisted grant programs:

The Town participates in a number of federally assisted grant programs. These programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, would be immaterial.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 12—CONTINGENT LIABILITIES: (CONTINUED)

General Obligation Bonds:

General obligation bonds have been recorded in the Enterprise Funds from which repayment is anticipated. The General Fund has a contingent liability for repayment of the aforementioned bonds, should the Enterprise Funds be unable to repay the obligations.

NOTE 13—LEGAL DEBT MARGIN:

The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation of real estate on the amount of general obligation borrowings that may be issued by the Town. At June 30, 2022, the Town's aggregate general obligation indebtedness was \$114,992,159 less than the Commonwealth of Virginia's limit. Reference Table 11 in the Other Statistical Information.

NOTE 14—RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Property, liability and worker's compensation coverage are provided through the Virginia Municipal League Insurance Programs (VML). The Town reports the majority of its risk management expenditures in the General Fund with some allocation to the Water and Sewer Funds accordingly.

The Town maintains surety coverage for principal officials through the VML. Surety coverage is provided under the general liability coverage with a limit of \$5,000,000. All elected officials, appointed officials, members of all appointed governing bodies; employees and volunteers are covered while acting within the scope of their duties with the Town.

NOTE 15—COMMITMENTS:

The Town of Smithfield began its Pinewood Heights Relocation CDBG project in FY2007 and signed a contract with the Virginia Department of Housing and Community Development (VHCD) for the 4th and final phase on April 5, 2019. The contract was due to terminate on April 4, 2021 but was extended to December 31, 2021. As of December 29, 2021, all CDBG funds (\$1,000,000) had been expended; however, the Town incurred additional costs for demolition and consulting fees through the remainder of the fiscal year. On February 22, 2022, the Town received a Letter of Conditions from VHCD initiating closeout of the project upon completion of administrative tasks including a final leverage report and the FY2022 audit.

An intersection improvement alternative analysis for Bennis Church Boulevard/US Route 258/State Route 10 Bypass was completed in FY2020. Construction was scheduled to begin in FY2021, but delays pushed the project into FY2022. Following an Invitation for Bid (IFB), a contract with The Blair Brothers, Inc. for \$589,683 was signed on July 6, 2021. As of June 30, 2022, six payment applications had been submitted totaling \$327,504. The project will be completed in FY2023.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 15—COMMITMENTS: (CONTINUED)

Virginia Department of Transportation (VDOT) funding also supported a Smithfield to Nike Park segment analysis on South Church Street to identify the most favorable of three possible routes to connect to a trail constructed by Isle of Wight County. In FY2019, the Town was subsequently granted additional funding of \$221,015 to refine the analysis. Any remainder may be applied to construction, and the possibility of additional VDOT funding for the project is being considered. Through FY2022, \$155,018 had been expended from the \$221,015 awarded.

The Town budgeted for a large utility infrastructure project to begin in FY2021 with completion scheduled for November 2021. The project was expected to cost \$1,200,000 and consisted of sewer and water line upgrades on Grace Street. The Town completed the project in FY2022; however, VDOT has postponed repaving until FY2023.

Federal ARPA funding was also allocated to several large projects that were started in FY2022. They include a Pagan Road water main replacement (\$268,148), maintenance buildings at Luter Sports Complex and Windsor Castle Park (\$382,550), and rehab of the Wilson Road Water Tank (\$425,455).

NOTE 16—LEASES RECEIVABLE:

The Town leases various property including recreational facilities. The Town recognized lease revenue and interest revenue in the amounts of \$45,767 and \$12,369, respectively under these lease agreements.

A description of the lease arrangements is as follows:

<u>Lease Description</u>	<u>End Date</u>	<u>Discount Rate</u>	<u>Lease Receivable June 30, 2022</u>	<u>Deferred Inflow of Resources June 30, 2022</u>
Lease of Sports Complex	1/31/2033	2.07%	\$ 322,403	\$ 318,809
Park	1/31/2033	2.07%	256,861	254,319
			<u>\$ 579,264</u>	<u>\$ 573,128</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 17—ADOPTION OF ACCOUNTING PRINCIPLES:

The Town implemented the provisions of GASB Statement No. 87, *Leases*, for the fiscal year ended June 30, 2022. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The implementation of GASB Statement No. 87 requires a restatement of net position resulting from previously reported capital leases. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

	<u>Governmental Activities</u>	<u>General Fund</u>
Lessor Activity:		
Leases receivable and deferred inflows of resources	\$ <u>618,895</u>	\$ <u>618,895</u>
Total	\$ <u><u>618,895</u></u>	\$ <u><u>618,895</u></u>
Lessee Activity:		
Lease liabilities and assets	\$ <u>210,899</u>	\$ <u>-</u>
Total	\$ <u><u>210,899</u></u>	\$ <u><u>-</u></u>

The Town reports the following restatement of net position related to the implementation of GASB Statement No. 87:

	<u>Governmental Activities</u>
Net Position as reported at July 1, 2021	\$ 35,015,655
Implementation of GASB Statement No. 87	<u>(47,102)</u>
Net Position as restated at July 1, 2021	\$ <u><u>34,968,553</u></u>

NOTE 18—UPCOMING PRONOUNCEMENTS:

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 18—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 19—COVID-19 PANDEMIC SUBSEQUENT EVENT:

COVID-19 Pandemic Funding:

As a result of the COVID-19 pandemic, Federal relief has been received through various programs as noted below.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

In June 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. The Town will receive the second half of the CSLFRF funds in fiscal year 2023 in the amount of \$4,396,477. Unspent funds in the amount of \$3,115,548 from the initial allocation are reported as unearned revenue as of June 30.

Required Supplementary Information

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2022

	General Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 3,099,066	\$ 3,099,066	\$ 3,225,845	\$ 126,779
Other local taxes	3,747,617	3,747,617	4,431,744	684,127
Permits, privilege fees, and regulatory licenses	267,610	267,610	343,360	75,750
Fines and forfeitures	33,000	33,000	39,789	6,789
Revenue from the use of money and property	299,693	299,693	432,767	133,074
Miscellaneous	136,791	136,791	141,239	4,448
Intergovernmental:				
Commonwealth	1,412,295	1,412,295	1,031,325	(380,970)
Federal	144,995	2,017,245	921,615	(1,095,630)
Total revenues	\$ 9,141,067	\$ 11,013,317	\$ 10,567,684	\$ (445,633)
EXPENDITURES				
Current:				
General government administration	\$ 1,516,165	\$ 1,521,165	\$ 1,295,904	\$ 225,261
Public safety	3,078,893	3,118,250	2,686,409	431,841
Public works	827,275	881,536	821,519	60,017
Parks, recreation, and cultural	1,223,232	1,377,509	1,361,728	15,781
Community development	717,953	1,082,953	1,163,287	(80,334)
Capital projects	1,563,632	2,863,302	1,339,911	1,523,391
Debt service:				
Principal retirement	403,696	403,696	463,248	(59,552)
Interest and other fiscal charges	163,297	163,297	67,843	95,454
Total expenditures	\$ 9,494,143	\$ 11,411,708	\$ 9,199,849	\$ 2,211,859
Excess (deficiency) of revenues over (under) expenditures	\$ (353,076)	\$ (398,391)	\$ 1,367,835	\$ 1,766,226
OTHER FINANCING SOURCES (USES)				
Issuance of leases	\$ 175,000	\$ 175,000	\$ 153,977	\$ (21,023)
Total other financing sources (uses)	\$ 175,000	\$ 175,000	\$ 153,977	\$ (21,023)
Net change in fund balances	\$ (178,076)	\$ (223,391)	\$ 1,521,812	\$ 1,745,203
Fund balances - beginning	178,076	223,391	9,119,265	8,895,874
Fund balances - ending	\$ -	\$ -	\$ 10,641,077	\$ 10,641,077

Highway Maintenance Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2022

	Highway Maintenance Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 250	\$ 250	\$ 175	\$ (75)
Intergovernmental:				
Commonwealth	1,289,244	1,289,244	1,311,487	22,243
Total revenues	\$ 1,289,494	\$ 1,289,494	\$ 1,311,662	\$ 22,168
EXPENDITURES				
Current:				
Public works	\$ 1,289,494	\$ 1,289,494	\$ 1,244,828	\$ 44,666
Total expenditures	\$ 1,289,494	\$ 1,289,494	\$ 1,244,828	\$ 44,666
Net change in fund balances	\$ -	\$ -	\$ 66,834	\$ 66,834
Fund balances - beginning	-	-	204,924	204,924
Fund balances - ending	\$ -	\$ -	\$ 271,758	\$ 271,758

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 407,164	\$ 409,222	\$ 341,033	\$ 347,677
Interest	789,433	692,656	634,287	600,262
Changes of benefit terms	157,949	-	-	-
Differences between expected and actual experience	(522,938)	755,685	272,262	(172,628)
Changes of assumptions	553,724	-	343,613	-
Benefit payments	(401,879)	(445,782)	(335,956)	(242,520)
Net change in total pension liability	\$ 983,453	\$ 1,411,781	\$ 1,255,239	\$ 532,791
Total pension liability - beginning	11,896,238	10,484,457	9,229,218	8,696,427
Total pension liability - ending (a)	\$ 12,879,691	\$ 11,896,238	\$ 10,484,457	\$ 9,229,218
Plan fiduciary net position				
Contributions - employer	\$ 284,911	\$ 149,680	\$ 148,084	\$ 152,960
Contributions - employee	153,761	225,095	158,765	138,192
Net investment income	3,128,848	213,124	708,065	727,785
Benefit payments	(401,879)	(445,782)	(335,956)	(242,520)
Administrator charges	(7,534)	(7,189)	(6,847)	(6,115)
Other	298	(256)	(448)	(654)
Net change in plan fiduciary net position	\$ 3,158,405	\$ 134,672	\$ 671,663	\$ 769,648
Plan fiduciary net position - beginning	11,351,168	11,216,496	10,544,833	9,775,185
Plan fiduciary net position - ending (b)	\$ 14,509,573	\$ 11,351,168	\$ 11,216,496	\$ 10,544,833
Town's net pension (asset) liability - ending (a) - (b)	\$ (1,629,882)	\$ 545,070	\$ (732,039)	\$ (1,315,615)
Plan fiduciary net position as a percentage of the total pension liability	112.65%	95.42%	106.98%	114.25%
Covered payroll	\$ 3,228,790	\$ 3,248,871	\$ 3,112,992	\$ 2,848,327
Town's net pension (asset) liability as a percentage of covered payroll	-50.48%	16.78%	-23.52%	-46.19%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 345,672	\$ 331,525	\$ 327,359	\$ 321,427
Interest	549,789	508,644	467,961	429,561
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	107,895	(38,766)	6,227	-
Changes of assumptions	(39,355)	-	-	-
Benefit payments	(243,397)	(183,768)	(257,044)	(147,781)
Net change in total pension liability	\$ 720,604	\$ 617,635	\$ 544,503	\$ 603,207
Total pension liability - beginning	7,975,823	7,358,188	6,813,685	6,210,478
Total pension liability - ending (a)	\$ 8,696,427	\$ 7,975,823	\$ 7,358,188	\$ 6,813,685
Plan fiduciary net position				
Contributions - employer	\$ 200,069	\$ 175,435	\$ 169,828	\$ 225,366
Contributions - employee	139,642	139,731	126,764	133,560
Net investment income	1,064,028	152,635	365,835	1,071,092
Benefit payments	(243,397)	(183,768)	(257,044)	(147,781)
Administrator charges	(5,926)	(5,063)	(4,907)	(5,531)
Other	(955)	(63)	(78)	57
Net change in plan fiduciary net position	\$ 1,153,461	\$ 278,907	\$ 400,398	\$ 1,276,763
Plan fiduciary net position - beginning	8,621,724	8,342,817	7,942,419	6,665,656
Plan fiduciary net position - ending (b)	\$ 9,775,185	\$ 8,621,724	\$ 8,342,817	\$ 7,942,419
Town's net pension (asset) liability - ending (a) - (b)	\$ (1,078,758)	\$ (645,901)	\$ (984,629)	\$ (1,128,734)
Plan fiduciary net position as a percentage of the total pension liability	112.40%	108.10%	113.38%	116.57%
Covered payroll	\$ 2,850,144	\$ 2,636,184	\$ 2,541,822	\$ 2,522,284
Town's net pension (asset) liability as a percentage of covered payroll	-37.85%	-24.50%	-38.74%	-44.75%

Schedule of Employer Contributions

Pension Plan

For the Years Ended June 30, 2013 through June 30, 2022

<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2022	\$ 292,302	\$ 292,302	\$ -	\$ 3,300,848	8.86%
2021	263,602	263,602	-	3,228,790	8.16%
2020	144,134	144,134	-	3,248,871	4.44%
2019	148,085	148,085	-	3,112,992	4.76%
2018	152,960	152,960	-	2,848,327	5.37%
2017	156,370	156,370	-	2,850,144	5.49%
2016	175,434	175,434	-	2,636,184	6.65%
2015	170,809	170,809	-	2,541,822	6.72%
2014	225,492	225,492	-	2,522,284	8.94%
2013	222,173	222,173	-	2,485,160	8.94%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.01570%	\$ 182,790	\$ 3,241,018	5.64%	67.45%
2020	0.01585%	264,510	3,261,610	8.11%	52.64%
2019	0.01589%	258,573	3,112,992	8.31%	52.00%
2018	0.01501%	228,000	2,848,327	8.00%	51.22%
2017	0.01547%	233,000	2,850,144	8.18%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2017 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 17,869	\$ 17,869	\$ -	\$ 3,309,057	0.54%
2021	17,501	17,501	-	3,241,018	0.51%
2020	16,960	16,960	-	3,261,610	0.51%
2019	15,353	15,353	-	3,112,992	0.51%
2018	15,029	15,029	-	2,848,327	0.53%
2017	14,833	14,833	-	2,850,144	0.52%

Schedule is intended to show information for 10 years. Information is available commencing with 2017. Additional years will be included as they become available.

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act (LODA) Program
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2021	0.10940%	\$ 482,489	\$ N/A	N/A	1.68%
2020	0.09348%	391,508	N/A	N/A	1.02%
2019	0.09466%	339,627	N/A	N/A	0.79%
2018	0.10121%	317,000	N/A	N/A	0.60%
2017	0.10521%	276,000	N/A	N/A	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Line of Duty Act (LODA) Program
 For the Years Ended June 30, 2017 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2022	\$ 13,728	\$ 13,728	\$ -	\$ N/A	N/A
2021	15,064	15,064	-	N/A	N/A
2020	12,704	12,704	-	N/A	N/A
2019	12,704	12,704	-	N/A	N/A
2018	10,780	10,780	-	N/A	N/A
2017	11,347	11,347	-	N/A	N/A

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

Schedule is intended to show information for 10 years. Information is available commencing with 2017. Additional years will be included as they become available.

Notes to Required Supplementary Information
 Line of Duty Act (LODA) Program
 For the Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Other Supplementary Information

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,218,000	\$ 2,218,000	\$ 2,240,932	\$ 22,932
Real and personal public service corporation taxes	39,116	39,116	35,961	(3,155)
Personal property and machinery & tools taxes	805,450	805,450	898,442	92,992
Penalties	27,000	27,000	39,704	12,704
Interest	9,500	9,500	10,806	1,306
Total general property taxes	<u>\$ 3,099,066</u>	<u>\$ 3,099,066</u>	<u>\$ 3,225,845</u>	<u>\$ 126,779</u>
Other local taxes:				
Local sales and use taxes	\$ 484,000	\$ 484,000	\$ 540,311	\$ 56,311
Cigarette taxes	226,000	226,000	211,408	(14,592)
Bank stock taxes	139,750	139,750	167,804	28,054
Business license tax	396,805	396,805	505,998	109,193
Utility license taxes	193,000	193,000	195,542	2,542
Transient taxes	160,000	160,000	245,105	85,105
Meals tax	1,881,242	1,881,242	2,277,144	395,902
Vehicle licenses	219,000	219,000	243,106	24,106
Peg Channel capital fee	1,920	1,920	1,753	(167)
Consumption tax	45,900	45,900	43,573	(2,327)
Total other local taxes	<u>\$ 3,747,617</u>	<u>\$ 3,747,617</u>	<u>\$ 4,431,744</u>	<u>\$ 684,127</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 48,650	\$ 48,650	\$ 119,623	\$ 70,973
Refuse collection fee	218,960	218,960	223,737	4,777
Total permits, privilege fees, and regulatory licenses	<u>\$ 267,610</u>	<u>\$ 267,610</u>	<u>\$ 343,360</u>	<u>\$ 75,750</u>
Fines and forfeitures:				
Police fines	\$ 33,000	\$ 33,000	\$ 39,789	\$ 6,789
Total fines and forfeitures	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 39,789</u>	<u>\$ 6,789</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 15,500	\$ 15,500	\$ 33,232	\$ 17,732
Revenue from use of property	284,193	284,193	399,535	115,342
Total revenue from use of money and property	<u>\$ 299,693</u>	<u>\$ 299,693</u>	<u>\$ 432,767</u>	<u>\$ 133,074</u>
Miscellaneous:				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 21,456	\$ 20,456
VML insurance safety grant	4,000	4,000	3,100	(900)
Donations	131,791	131,791	114,922	(16,869)
Insurance recoveries	-	-	1,761	1,761
Total miscellaneous	<u>\$ 136,791</u>	<u>\$ 136,791</u>	<u>\$ 141,239</u>	<u>\$ 4,448</u>
Total revenue from local sources	<u>\$ 7,583,777</u>	<u>\$ 7,583,777</u>	<u>\$ 8,614,744</u>	<u>\$ 1,030,967</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 166,365	\$ 166,365	\$ 169,156	\$ 2,791
PPTRA	240,795	240,795	240,795	-
Auto rental tax	6,200	6,200	5,898	(302)
Rolling stock tax	160	160	33	(127)
Games of skill tax	-	-	1,584	1,584
Total noncategorical aid	<u>\$ 413,520</u>	<u>\$ 413,520</u>	<u>\$ 417,466</u>	<u>\$ 3,946</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 179,648	\$ 179,648	\$ 179,664	\$ 16
Total shared expenses	\$ 179,648	\$ 179,648	\$ 179,664	\$ 16
Other categorical aid:				
Fire programs fund	\$ 32,060	\$ 32,060	\$ 32,740	\$ 680
Virginia Commission of Arts Grant	4,500	4,500	4,500	-
VDOT - Urban Funds	779,435	779,435	392,492	(386,943)
Litter control grant	3,132	3,132	4,463	1,331
Total other categorical aid	\$ 819,127	\$ 819,127	\$ 434,195	\$ (384,932)
Total categorical aid	\$ 998,775	\$ 998,775	\$ 613,859	\$ (384,916)
Total revenue from the Commonwealth	\$ 1,412,295	\$ 1,412,295	\$ 1,031,325	\$ (380,970)
Revenue from the federal government:				
Categorical aid:				
Coronavirus Relief Fund	\$ -	\$ -	\$ 52,237	\$ 52,237
Coronavirus State and Local Recovery Funds	-	1,872,250	646,014	(1,226,236)
Highway Planning and Construction	130,820	130,820	73,090	(57,730)
Pinewood Heights CDBG Relocation Grant	-	-	137,358	137,358
State and Community Highway Safety Grant	7,886	7,886	7,186	(700)
National Priority Safety Programs	6,289	6,289	5,730	(559)
Total categorical aid	\$ 144,995	\$ 2,017,245	\$ 921,615	\$ (1,095,630)
Total revenue from the federal government	\$ 144,995	\$ 2,017,245	\$ 921,615	\$ (1,095,630)
Total General Fund	\$ 9,141,067	\$ 11,013,317	\$ 10,567,684	\$ (445,633)
Highway Maintenance Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest	\$ 250	\$ 250	\$ 175	\$ (75)
Total revenue from local sources	\$ 250	\$ 250	\$ 175	\$ (75)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Street and highway maintenance	\$ 1,289,244	\$ 1,289,244	\$ 1,311,487	\$ 22,243
Total revenue from the Commonwealth	\$ 1,289,244	\$ 1,289,244	\$ 1,311,487	\$ 22,243
Total Highway Maintenance Fund	\$ 1,289,494	\$ 1,289,494	\$ 1,311,662	\$ 22,168
Total Primary Government	\$ 10,430,561	\$ 12,302,811	\$ 11,879,346	\$ (423,465)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 205,446	\$ 205,446	\$ 174,534	\$ 30,912
Town Manager	569,952	569,952	529,800	40,152
Treasurer	740,767	745,767	591,570	154,197
Total general government administration	<u>\$ 1,516,165</u>	<u>\$ 1,521,165</u>	<u>\$ 1,295,904</u>	<u>\$ 225,261</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,662,237	\$ 2,701,594	\$ 2,301,767	\$ 399,827
Fire and rescue services:				
Fire department	\$ 66,060	\$ 66,060	\$ 66,740	\$ (680)
E-911 dispatch	350,596	350,596	317,902	32,694
Total fire and rescue services	<u>\$ 416,656</u>	<u>\$ 416,656</u>	<u>\$ 384,642</u>	<u>\$ 32,014</u>
Total public safety	<u>\$ 3,078,893</u>	<u>\$ 3,118,250</u>	<u>\$ 2,686,409</u>	<u>\$ 431,841</u>
Public works:				
Public works engineering, trash removal:				
Engineering, trash removal, maintenance	\$ 510,205	\$ 510,205	\$ 515,865	\$ (5,660)
Maintenance of general buildings and grounds:				
Public buildings	\$ 317,070	\$ 371,331	\$ 305,654	\$ 65,677
Total public works	<u>\$ 827,275</u>	<u>\$ 881,536</u>	<u>\$ 821,519</u>	<u>\$ 60,017</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 608,146	\$ 609,146	\$ 608,769	\$ 377
Smithfield CHIP Program	-	8,215	8,215	-
Clontz Park	3,132	3,132	2,221	911
Farmers Market	3,000	3,000	3,000	-
Fireworks	15,000	15,000	16,250	(1,250)
Haydens Lane Maintenance	-	-	2,440	(2,440)
Veterans War Memorial	3,000	3,000	2,906	94
Isle of Wight Arts League	9,000	9,000	9,000	-
Jersey Park Playground	-	-	340	(340)
Museum	215,224	238,224	198,939	39,285
Regional Library	3,550	3,550	3,550	-
Smithfield Center	153,295	153,295	159,635	(6,340)
Luter Sports Complex	81,330	193,809	206,157	(12,348)
Windsor Castle Manor House	49,800	53,800	63,976	(10,176)
Windsor Castle Park	78,755	84,338	76,330	8,008
Total parks, recreation, and cultural	<u>\$ 1,223,232</u>	<u>\$ 1,377,509</u>	<u>\$ 1,361,728</u>	<u>\$ 15,781</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning and Community Development Administration	\$ 297,299	\$ 297,299	\$ 248,190	\$ 49,109
Old courthouse contribution	4,400	4,400	4,400	-
Chamber of Commerce	6,000	6,000	6,000	-
Christian Outreach	12,650	12,650	12,650	-
Genieve Shelter	7,920	7,920	7,920	-
Hampton Roads Planning District	17,464	17,464	11,139	6,325
CDBG and Pinewood Heights	-	365,000	508,232	(143,232)
TRIAD	1,650	1,650	-	1,650
Tourism Bureau	280,000	280,000	262,728	17,272
Tax Relief for Elderly & Veterans	67,570	67,570	79,028	(11,458)
Western Tidewater Free Clinic	23,000	23,000	23,000	-
Total community development	<u>\$ 717,953</u>	<u>\$ 1,082,953</u>	<u>\$ 1,163,287</u>	<u>\$ (80,334)</u>
Capital projects:				
Function:				
General Government - Treasurer	\$ 135,720	\$ 135,720	\$ 1,913	\$ 133,807
Public Safety - Police	175,000	175,000	153,977	21,023
Public Works - other	1,052,912	1,952,912	778,740	1,174,172
Public Works - public buildings	25,000	37,791	37,791	-
Parks, Recreation and Cultural - Waterworks Park & Dam	125,000	125,000	48,040	76,960
Parks, Recreation and Cultural - Luter Sports Complex	-	-	67,970	(67,970)
Parks, Recreation and Cultural - Windsor Castle Park	-	291,854	120,455	171,399
Parks, Recreation and Cultural - Clontz Park	-	95,025	95,025	-
Community Development - property acquisition	50,000	50,000	36,000	14,000
Total capital projects	<u>\$ 1,563,632</u>	<u>\$ 2,863,302</u>	<u>\$ 1,339,911</u>	<u>\$ 1,523,391</u>
Debt service:				
Principal retirement and interest	\$ 403,696	\$ 403,696	\$ 463,248	\$ (59,552)
Interest and other fiscal charges	163,297	163,297	67,843	95,454
Total debt service	<u>\$ 566,993</u>	<u>\$ 566,993</u>	<u>\$ 531,091</u>	<u>\$ 35,902</u>
Total General Fund	<u>\$ 9,494,143</u>	<u>\$ 11,411,708</u>	<u>\$ 9,199,849</u>	<u>\$ 2,211,859</u>
Highway Maintenance Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highway maintenance	\$ 1,289,494	\$ 1,226,994	\$ 1,244,828	\$ (17,834)
Highway capital outlay	-	62,500	-	62,500
Total Highway Maintenance Fund	<u>\$ 1,289,494</u>	<u>\$ 1,289,494</u>	<u>\$ 1,244,828</u>	<u>\$ 44,666</u>
Total Primary Government	<u>\$ 10,783,637</u>	<u>\$ 12,701,202</u>	<u>\$ 10,444,677</u>	<u>\$ 2,256,525</u>

Other Statistical Information

TOWN OF SMITHFIELD, VIRGINIA

Net Position by Component
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Governmental activities				
Net investment in capital assets	\$ 25,560,902	\$ 25,686,339	\$ 25,813,746	\$ 22,192,996
Restricted	1,696,078	310,838	372,195	107,635
Unrestricted	9,762,353	9,018,478	8,433,786	8,453,823
Total governmental activities net position	<u>\$ 37,019,333</u>	<u>\$ 35,015,655</u>	<u>\$ 34,619,727</u>	<u>\$ 30,754,454</u>
Business-type activities				
Net investment in capital assets	\$ 13,550,028	\$ 12,817,441	\$ 12,259,196	\$ 12,356,908
Restricted	4,028,269	3,424,674	3,200,895	3,125,014
Unrestricted	3,420,216	3,601,950	4,421,817	4,219,295
Total business-type activities net position	<u>\$ 20,998,513</u>	<u>\$ 19,844,065</u>	<u>\$ 19,881,908</u>	<u>\$ 19,701,217</u>
Primary government				
Net investment in capital assets	\$ 39,110,930	\$ 38,503,780	\$ 38,072,942	\$ 34,549,904
Restricted	5,724,347	3,735,512	3,573,090	3,232,649
Unrestricted	13,182,569	12,620,428	12,855,603	12,673,118
Total primary government net position	<u>\$ 58,017,846</u>	<u>\$ 54,859,720</u>	<u>\$ 54,501,635</u>	<u>\$ 50,455,671</u>

Table 1

	2018	2017	2016	2015	2014	2013
\$	20,147,780	\$ 21,015,145	\$ 21,084,936	\$ 19,325,305	\$ 19,858,407	\$ 20,341,956
	423,552	1,258,418	1,896,404	130,778	161,059	176,929
	8,680,771	7,236,182	6,507,589	6,366,159	5,125,703	4,478,388
\$	<u>29,252,103</u>	<u>\$ 29,509,745</u>	<u>\$ 29,488,929</u>	<u>\$ 25,822,242</u>	<u>\$ 25,145,169</u>	<u>\$ 24,997,273</u>
\$	12,182,289	\$ 12,145,829	\$ 12,022,648	\$ 12,041,397	\$ 12,149,969	\$ 12,456,082
	3,033,839	2,764,024	2,261,716	2,118,384	1,793,475	1,509,709
	3,521,849	3,181,201	3,268,468	2,914,632	2,694,709	2,397,006
\$	<u>18,737,977</u>	<u>\$ 18,091,054</u>	<u>\$ 17,552,832</u>	<u>\$ 17,074,413</u>	<u>\$ 16,638,153</u>	<u>\$ 16,362,797</u>
\$	32,330,069	\$ 33,160,974	\$ 33,107,584	\$ 31,366,702	\$ 32,008,376	\$ 32,798,038
	3,457,391	4,022,442	4,158,120	2,249,162	1,954,534	1,686,638
	12,202,620	10,417,383	9,776,057	9,280,791	7,820,412	6,875,394
\$	<u>47,990,080</u>	<u>\$ 47,600,799</u>	<u>\$ 47,041,761</u>	<u>\$ 42,896,655</u>	<u>\$ 41,783,322</u>	<u>\$ 41,360,070</u>

TOWN OF SMITHFIELD, VIRGINIA

Change in Net Position
Last Ten Fiscal Years

	2022	2021	2020	2019
Expenses				
Governmental activities:				
General government administration	\$ 1,334,877	\$ 1,807,433	\$ 1,324,043	\$ 1,218,767
Public safety	2,941,256	2,840,138	2,687,945	2,335,986
Public works	2,528,576	2,846,710	2,648,183	2,531,611
Parks, recreation, and cultural	1,910,009	1,830,395	1,931,278	1,724,153
Community development	1,176,068	1,401,742	1,458,373	676,948
Interest on long-term debt	65,703	100,526	86,375	107,901
Total governmental activities expenses	<u>\$ 9,956,489</u>	<u>\$ 10,826,944</u>	<u>\$ 10,136,197</u>	<u>\$ 8,595,366</u>
Business-type activities:				
Water	\$ 2,064,578	\$ 2,513,706	\$ 1,878,610	\$ 1,593,655
Sewer	1,243,710	1,099,535	1,064,151	903,326
Total business-type activities expenses	<u>\$ 3,308,288</u>	<u>\$ 3,613,241</u>	<u>\$ 2,942,761</u>	<u>\$ 2,496,981</u>
Total primary government expenses	<u><u>\$ 13,264,777</u></u>	<u><u>\$ 14,440,185</u></u>	<u><u>\$ 13,078,958</u></u>	<u><u>\$ 11,092,347</u></u>
Program Revenue				
Governmental activities:				
Charges for services:	\$ 383,149	\$ 315,778	\$ 148,673	\$ 87,206
Operating grants and contributions	2,381,379	2,766,708	2,495,025	1,557,719
Capital grants and contributions	465,582	230,837	3,702,277	1,303,665
Total governmental activities program revenues	<u>\$ 3,230,110</u>	<u>\$ 3,313,323</u>	<u>\$ 6,345,975</u>	<u>\$ 2,948,590</u>
Business-type activities:				
Charges for services:				
Water	\$ 1,852,180	\$ 1,813,365	\$ 1,722,097	\$ 1,692,607
Sewer	1,260,804	1,224,897	1,125,190	1,158,739
Operating grants and contributions	691,964	6,523	-	-
Capital grants and contributions	563,400	417,280	194,180	522,900
Total business-type activities program revenues	<u>\$ 4,368,348</u>	<u>\$ 3,462,065</u>	<u>\$ 3,041,467</u>	<u>\$ 3,374,246</u>
Total primary government program revenues	<u>\$ 7,598,458</u>	<u>\$ 6,775,388</u>	<u>\$ 9,387,442</u>	<u>\$ 6,322,836</u>
Governmental activities	\$ (6,726,379)	\$ (7,513,621)	\$ (3,790,222)	\$ (5,646,776)
Business-type activities	1,060,060	(151,176)	98,706	877,265
Total primary government net expense	<u><u>\$ (5,666,319)</u></u>	<u><u>\$ (7,664,797)</u></u>	<u><u>\$ (3,691,516)</u></u>	<u><u>\$ (4,769,511)</u></u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 3,353,768	\$ 3,031,225	\$ 3,129,739	\$ 2,519,668
Franchise taxes	195,542	190,767	201,256	192,386
Sales taxes	540,311	491,199	414,610	357,250
Other taxes	3,695,891	3,302,947	2,960,400	3,058,161
Grants and contributions not restricted to specific programs	417,466	278,743	445,037	448,490
Gain (Loss) on disposition of capital assets	-	-	-	-
Revenues from use of property and money	432,942	441,608	404,317	460,292
Miscellaneous	141,239	173,060	100,136	112,880
Other-Insurance Recoveries	-	-	-	-
Total governmental activities	<u>\$ 8,777,159</u>	<u>\$ 7,909,549</u>	<u>\$ 7,655,495</u>	<u>\$ 7,149,127</u>
Business-type activities:				
Miscellaneous	\$ 67,561	\$ 100,683	\$ 40,740	\$ 26,967
Other-Insurance Recoveries	-	-	-	-
Gain (Loss) on disposition of capital assets	12,870	-	-	-
Revenues from use of property and money	13,957	12,650	41,245	59,008
Total business-type activities	<u>\$ 94,388</u>	<u>\$ 113,333</u>	<u>\$ 81,985</u>	<u>\$ 85,975</u>
Total primary government	<u><u>\$ 8,871,547</u></u>	<u><u>\$ 8,022,882</u></u>	<u><u>\$ 7,737,480</u></u>	<u><u>\$ 7,235,102</u></u>
Change in Net Position				
Governmental activities	\$ 2,050,780	\$ 395,928	\$ 3,865,273	\$ 1,502,351
Business-type activities	1,154,448	(37,843)	180,691	963,240
Total primary government	<u><u>\$ 3,205,228</u></u>	<u><u>\$ 358,085</u></u>	<u><u>\$ 4,045,964</u></u>	<u><u>\$ 2,465,591</u></u>

Table 2

	2018	2017	2016	2015	2014	2013
\$	1,193,699	\$ 1,172,634	\$ 1,053,933	\$ 1,003,355	\$ 964,395	\$ 1,008,448
	2,412,254	2,501,166	2,395,527	2,364,059	2,397,623	2,363,849
	2,303,138	2,460,615	2,462,073	2,287,246	2,388,421	2,090,010
	1,892,333	1,468,199	945,848	916,654	826,369	691,306
	742,362	1,903,649	1,144,472	1,039,243	1,004,920	646,422
	127,571	50,342	44,266	41,771	35,648	43,342
\$	<u>8,671,357</u>	<u>\$ 9,556,605</u>	<u>\$ 8,046,119</u>	<u>\$ 7,652,328</u>	<u>\$ 7,617,376</u>	<u>\$ 6,843,377</u>
\$	1,548,749	\$ 1,623,458	\$ 1,535,791	\$ 1,751,634	\$ 1,632,400	\$ 1,546,489
	838,798	930,017	972,556	1,011,978	1,121,187	1,245,035
\$	<u>2,387,547</u>	<u>\$ 2,553,475</u>	<u>\$ 2,508,347</u>	<u>\$ 2,763,612</u>	<u>\$ 2,753,587</u>	<u>\$ 2,791,524</u>
\$	<u>11,058,904</u>	<u>\$ 12,110,080</u>	<u>\$ 10,554,466</u>	<u>\$ 10,415,940</u>	<u>\$ 10,370,963</u>	<u>\$ 9,634,901</u>
\$	91,082	\$ 97,832	\$ 91,602	\$ 105,848	\$ 92,796	\$ 85,572
	1,743,669	1,862,264	1,305,965	1,263,354	1,268,617	1,335,108
	132,597	957,221	3,555,770	150,800	374,394	1,516,875
\$	<u>1,967,348</u>	<u>\$ 2,917,317</u>	<u>\$ 4,953,337</u>	<u>\$ 1,520,002</u>	<u>\$ 1,735,807</u>	<u>\$ 2,937,555</u>
\$	1,591,685	\$ 1,598,568	\$ 1,590,719	\$ 1,624,519	\$ 1,626,650	\$ 1,594,540
	1,236,027	1,241,163	1,201,638	1,214,154	1,201,756	1,181,471
	-	-	-	-	-	-
	182,580	217,840	150,444	211,594	178,369	212,202
\$	<u>3,010,292</u>	<u>\$ 3,057,571</u>	<u>\$ 2,942,801</u>	<u>\$ 3,050,267</u>	<u>\$ 3,006,775</u>	<u>\$ 2,988,213</u>
\$	<u>4,977,640</u>	<u>\$ 5,974,888</u>	<u>\$ 7,896,138</u>	<u>\$ 4,570,269</u>	<u>\$ 4,742,582</u>	<u>\$ 5,925,768</u>
\$	(6,704,009)	\$ (6,639,288)	\$ (3,092,782)	\$ (6,132,326)	\$ (5,881,569)	\$ (3,905,822)
	622,745	504,096	434,454	286,655	253,188	196,689
\$	<u>(6,081,264)</u>	<u>\$ (6,135,192)</u>	<u>\$ (2,658,328)</u>	<u>\$ (5,845,671)</u>	<u>\$ (5,628,381)</u>	<u>\$ (3,709,133)</u>
\$	2,495,373	\$ 2,244,184	\$ 2,432,132	\$ 2,304,590	\$ 2,498,772	\$ 2,352,590
	197,901	190,102	137,832	130,227	134,609	116,784
	357,917	367,527	330,898	313,161	293,935	259,165
	2,898,901	2,817,556	2,712,974	2,585,464	2,319,444	2,209,427
	460,881	682,356	473,672	480,541	480,105	493,914
	-	6,268	289,162	17,028	28,142	18,722
	334,010	234,640	271,179	239,991	205,654	193,830
	208,605	117,471	111,620	178,676	68,804	138,522
	-	-	-	-	-	4,124
\$	<u>6,953,588</u>	<u>\$ 6,660,104</u>	<u>\$ 6,759,469</u>	<u>\$ 6,249,678</u>	<u>\$ 6,029,465</u>	<u>\$ 5,787,078</u>
\$	17,445	\$ 11,539	\$ 26,793	\$ 15,663	\$ 10,642	\$ 7,543
	-	-	-	-	-	7,110
	-	-	-	-	-	-
	40,513	22,587	17,172	13,117	11,526	12,402
\$	<u>57,958</u>	<u>\$ 34,126</u>	<u>\$ 43,965</u>	<u>\$ 28,780</u>	<u>\$ 22,168</u>	<u>\$ 27,055</u>
\$	<u>7,011,546</u>	<u>\$ 6,694,230</u>	<u>\$ 6,803,434</u>	<u>\$ 6,278,458</u>	<u>\$ 6,051,633</u>	<u>\$ 5,814,133</u>
\$	249,579	\$ 20,816	\$ 3,666,687	\$ 117,352	\$ 147,896	\$ 1,881,256
	680,703	538,222	478,419	315,435	275,356	223,744
\$	<u>930,282</u>	<u>\$ 559,038</u>	<u>\$ 4,145,106</u>	<u>\$ 432,787</u>	<u>\$ 423,252</u>	<u>\$ 2,105,000</u>

TOWN OF SMITHFIELD, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund					
Nonspendable	\$ 62,091	\$ 89,150	\$ 48,769	\$ 71,395	\$ 86,943
Restricted	80,011	105,914	95,549	107,635	148,943
Committed	587,751	803,464	1,187,710	1,417,334	1,398,693
Unassigned	9,911,224	8,120,737	6,826,657	6,386,507	6,948,472
Total general fund	<u>\$ 10,641,077</u>	<u>\$ 9,119,265</u>	<u>\$ 8,158,685</u>	<u>\$ 7,982,871</u>	<u>\$ 8,583,051</u>
All Other Governmental Funds					
Nonspendable, reported in:					
Special revenue funds	\$ -	\$ -	\$ -	\$ 2,643	\$ -
Restricted, reported in:					
Special revenue funds	271,758	204,924	276,646	180,225	274,609
Assigned, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	8,108	8,108	8,108	8,108	8,108
Total all other governmental funds	<u>\$ 279,866</u>	<u>\$ 213,032</u>	<u>\$ 284,754</u>	<u>\$ 190,976</u>	<u>\$ 282,717</u>
Total fund balances	<u><u>\$ 10,920,943</u></u>	<u><u>\$ 9,332,297</u></u>	<u><u>\$ 8,443,439</u></u>	<u><u>\$ 8,173,847</u></u>	<u><u>\$ 8,865,768</u></u>

Table 3

2017	2016	2015	2014	2013
\$ 47,593	\$ 87,451	\$ 37,522	\$ 2,128	\$ 36,723
1,116,809	1,800,803	130,778	161,059	176,929
1,245,015	203,984	144,384	22,444	19,903
5,251,801	5,331,092	5,353,610	4,878,078	4,058,330
<u>\$ 7,661,218</u>	<u>\$ 7,423,330</u>	<u>\$ 5,666,294</u>	<u>\$ 5,063,709</u>	<u>\$ 4,291,885</u>
\$ -	\$ -	\$ -	\$ -	\$ -
141,609	95,601	-	-	-
-	-	83,872	38,064	109,859
8,108	8,108	8,108	8,108	8,108
<u>\$ 149,717</u>	<u>\$ 103,709</u>	<u>\$ 91,980</u>	<u>\$ 46,172</u>	<u>\$ 117,967</u>
<u>\$ 7,810,935</u>	<u>\$ 7,527,039</u>	<u>\$ 5,758,274</u>	<u>\$ 5,109,881</u>	<u>\$ 4,409,852</u>

General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Buildings and Works [1]	Parks Recreational and Cultural	Community Development and Nondepartmental	Capital Projects	Debt Service Principal	Debt Service Interest and Issuance Costs	Total
2022	\$ 1,295,904	\$ 2,686,409	\$ 2,066,347	\$ 1,361,728	\$ 1,163,287	\$ 1,339,911	\$ 463,248	\$ 67,843	\$ 10,444,677
2021	1,710,383	2,756,144	2,481,699	1,274,967	1,401,742	554,469	427,171	92,884	10,699,459
2020	1,256,614	2,480,146	2,193,728	1,429,137	1,458,341	4,329,649	397,643	87,928	13,633,186
2019	1,230,019	2,235,444	2,150,485	1,459,716	677,111	2,289,276	882,258	105,400	11,029,709
2018	1,185,804	2,288,658	1,907,265	1,716,056	742,362	1,682,879	271,485	119,401	9,913,910
2017	1,135,211	2,312,087	2,049,108	1,292,176	1,698,649	3,351,960	90,800	50,367	11,980,358
2016	1,032,973	2,252,064	1,987,807	775,156	1,144,472	1,946,638	87,057	45,097	9,271,264
2015	992,342	2,269,098	1,943,321	750,219	1,039,243	588,277	45,492	40,748	7,668,740
2014	917,447	2,249,828	2,032,428	662,467	856,680	183,990	35,210	35,648	6,973,698
2013	934,052	2,328,340	2,730,845	635,558	656,362	-	482,211	43,345	7,810,713

[1] Includes highway maintenance.

General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes [1]	Other Local Taxes	License, Permits and Privilege Fees	Fines and Forfeitures	Use of Money and Property	Intergovernmental			Miscellaneous	Total
						Common-wealth	Federal	Local-County		
2022	\$ 3,225,845	\$ 4,431,744	\$ 343,360	\$ 39,789	\$ 432,942	\$ 2,342,812	\$ 921,615	-	\$ 141,239	\$ 11,879,346
2021	3,129,678	3,984,913	272,433	43,345	278,743	1,990,112	1,369,041	-	253,060	11,321,325
2020	3,031,047	3,576,266	104,934	43,739	404,317	2,669,598	1,077,665	-	2,995,212	13,902,778
2019	2,514,739	3,607,797	46,850	40,356	460,292	2,557,452	148,777	-	716,525	10,092,788
2018	2,524,997	3,454,719	35,938	55,144	334,010	1,909,206	427,941	-	208,605	8,950,560
2017	2,257,766	3,375,185	34,890	62,942	234,640	1,832,838	564,799	214,204	1,007,471	9,584,735
2016	2,381,837	3,181,704	23,075	68,527	271,179	1,779,637	635,740	-	2,686,650	11,028,349
2015	2,410,696	3,028,852	41,506	64,342	239,991	1,740,239	154,456	-	178,676	7,858,758
2014	2,407,227	2,747,988	19,043	73,753	205,654	1,720,439	384,334	-	87,147	7,645,585
2013	2,361,401	2,585,376	17,176	68,396	193,830	1,853,459	682,438	5,559	947,087	8,714,722

[1] Includes penalties and interest.

Property Tax Rates
 Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Boats	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
2022	\$.19/\$100	\$1/\$100 \$.19/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2021	\$.19/\$100	\$1/\$100 \$.19/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2020	\$.19/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2019	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2018	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2017	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.38/\$100	\$.16/\$100	\$1/\$100
2016	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2015	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2014	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2013	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100

[1] Mobile home rate.

Principal Taxpayers - Real Estate
June 30, 2022

Taxpayer	Type of Business	Assessed Valuation Real Estate	% of Total
Smithfield Foods, Inc.	Meat processing	\$ 39,882,100	3.35%
Smithfield Fresh Meats	Meat processing	35,863,600	3.01%
Suso 4 Smithfield FF LP	Real Estate	12,549,900	1.05%
Patrick Henry Hospital	Nursing home/Assisted Living	8,294,000	0.70%
Bradford Mews Associates	Apartment rentals	8,000,000	0.67%
Cypress Investment Holdings LLC	Land developer	4,692,900	0.39%
Smithfield Hotel LLC	Hotel/Lodging	6,026,400	0.51%
Morris Creek Landing Apartments	Apartment rentals	6,000,000	0.50%
Pack Development Company LLC	Restaurant/Hotel	5,214,500	0.44%
Smithfield Square Associates	Real estate	4,364,000	0.37%
CIG Cypress Run Plaza LLC	Commerical Real Estate	4,232,400	0.35%
Smithfield Ham & Products	Commercial/Industrial	4,190,200	0.35%
RPA TS Smithfield LLC	Commercial Real Estate	4,015,100	0.34%
Church Square LLC	Land developer	2,916,400	0.24%
Skyline-Fri 8 LP	Commercial Real Estate	3,108,700	0.26%
KLS Smithfield Development Group LLC	Commercial/Industrial	3,055,600	0.26%
Jersey Park Apartments LLC	Apartment rentals	2,800,000	0.23%
JVC LLC	Commercial Real Estate	3,170,800	0.27%
Gwaltney Properties One LLC and Two LLC	Commerical Real Estate	3,312,000	0.28%
Little Lewis R & Sandra E Trustees	Personal Real Estate	2,510,300	0.21%
Smithfield Packing Company	Meat processing	2,548,300	0.21%
Little Robert J III	Commercial Real Estate	2,522,700	0.21%
Sarah Bissette Julian Trustee	Personal Real Estate	2,594,300	0.22%
Jan San Realty	Retail/Pharmacy	2,173,600	0.18%
Smithfield Church Manor	Apartment rentals	2,056,800	0.17%
		\$ 176,094,600	14.77%
		Assessed Valuation Personal Property	% of Total
Gwaltney of Smithfield	Meat processing	\$ 53,694,090	35.89%
C R England Inc	Trucking/shipping	1,467,055	0.98%
LaSalle Solutions	Technology/Financing	1,464,538	0.98%
Premium Pet Health LLC	Dog food plant	1,151,612	0.77%
Riverside Convalescent Center	Nursing home/Assisted Living	1,065,679	0.71%
Food Lion LLC	Retail grocery	994,894	0.67%
Kroger Limited Partnership	Retail grocery	950,044	0.64%
Hampton Inn & Suites	Hotel/Lodging	664,009	0.44%
		\$ 61,451,921	41.08%

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy [1][2]	Total Current Collections [1]	Percent of Levy Collected	Total Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes [3]	Percent of Delinquent Taxes to Tax Levy
2022	\$ 3,461,680	\$ 3,352,436	96.8%	\$ 47,775	\$ 3,400,211	98.2%	\$ 237,215	6.9%
2021	3,301,218	3,235,277	98.0%	81,930	3,317,207	100.5%	104,019	3.2%
2020	3,082,192	2,948,210	95.7%	40,816	2,989,026	97.0%	225,823	7.3%
2019	2,703,772	2,677,156	99.0%	35,608	2,712,764	100.3%	139,894	5.2%
2018	2,679,540	2,656,014	99.1%	50,846	2,706,860	101.0%	139,596	5.2%
2017	2,668,084	2,629,217	98.5%	40,649	2,669,866	100.1%	181,149	6.8%
2016	2,602,315	2,530,923	97.3%	25,179	2,556,102	98.2%	205,135	7.9%
2015	2,620,463	2,541,353	97.0%	62,029	2,603,382	99.3%	186,735	7.1%
2014	2,629,086	2,552,923	97.1%	49,288	2,602,211	99.0%	228,354	8.7%
2013	2,687,986	2,597,231	96.6%	65,467	2,662,698	99.1%	327,334	12.2%

[1] Exclusive of penalties and interest. Tax years 2013-2016 include VL tax as part of the personal property tax levy.
Exclusive of supplements and abatelements of tax assessments

[2] The total tax levy includes the Commonwealth's reimbursement of \$240,795.

[3] Starting in FY 2014, penalties are not included

[4] Delinquent tax collections include collections of any prior year. Amounts reported are not specific to fiscal year.

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value	Gross and Net Bonded Debt [3]	Less: Debt Payable from Enterprise Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2022	8,533 [1]	\$ 1,367,031,106	\$ 6,017,531	\$ 2,578,247	\$ 3,439,284	0.25%	\$ 403
2021	8,441 [2]	1,331,494,871	6,004,356	2,260,373	3,743,983	0.28%	444
2020	8,441 [2]	1,298,608,557	6,020,769	1,949,623	4,071,146	0.31%	482
2019	8,441 [2]	1,251,982,678	6,710,634	2,306,498	4,404,136	0.35%	522
2018	8,287 [2]	1,233,040,324	7,877,421	2,656,970	5,220,451	0.42%	630
2017	8,287 [2]	1,228,195,669	6,507,832	2,998,000	3,509,832	0.29%	424
2016	8,287 [2]	1,264,903,187	3,970,025	3,034,840	935,185	0.07%	113
2015	8,287 [2]	1,270,545,592	4,548,745	3,526,503	1,022,242	0.08%	123
2014	8,220 [2]	1,262,169,562	4,494,595	3,861,161	633,434	0.05%	77
2013	8,143 [2]	1,242,935,697	4,948,510	4,279,866	668,644	0.05%	82

[1] U.S. Census Bureau- 2020 Census

[2] U.S. Census Bureau- 2010 Census

[3] Includes all long-term general obligation debt payable from enterprise revenues

Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

Fiscal Year	Governmental Funds		Total Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to Expenditures
	Principal	Interest			
2022	\$ 463,248	\$ 67,843	\$ 531,091	\$ 10,444,677	5.08%
2021	427,171	92,884	520,055	10,699,459	4.86%
2020	397,643	87,928	485,571	13,633,186	3.56%
2019	882,258	105,400	987,658	11,029,709	8.95%
2018	271,485	119,401	390,886	9,913,910	3.94%
2017	90,800	50,367	141,167	11,980,358	1.18%
2016	87,057	45,097	132,154	9,271,264	1.43%
2015	45,492	40,748	86,240	7,668,740	1.12%
2014	35,210	35,648	70,858	6,973,698	1.02%
2013	32,214	43,342	75,556	7,810,713	0.97%

Computation of Legal Debt Margin
As of June 30, 2022

Total assessed value of taxed real property	\$ 1,184,314,425
Debit limit - 10% of total assessed value	\$ 118,431,443
Amount of debt applicable to debt limit - gross debt	<u>3,439,284</u>
Legal debt margin	<u>\$ 114,992,159</u>

Full-time Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General government										
Management services	4.05	4.20	3.56	3.53	4.40	4.18	3.40	3.40	3.40	3.33
Finance	6.80	6.80	6.80	6.69	6.80	6.91	6.95	5.80	5.80	5.80
Planning	2.82	2.32	2.63	2.27	1.85	1.85	1.85	2.00	2.15	2.35
Building	1.20	1.20	1.20	1.20	1.03	1.03	1.03	1.00	1.00	1.00
Other	-	-	-	0.67	0.80	0.80	0.80	0.80	0.80	0.80
Police										
Officers	18.71	19.09	20.66	18.40	18.96	18.32	20.70	19.68	21.80	21.59
Civilians	4.00	4.00	4.00	4.06	4.70	4.70	4.70	4.59	3.77	3.80
Other public works										
Engineering	1.00	1.00	1.00	1.00	1.00	0.80	0.80	0.80	0.80	0.80
Other	8.24	6.20	5.64	7.83	8.38	8.07	7.70	7.14	6.36	7.86
Park and recreation	13.50	13.03	11.54	10.25	9.15	9.35	8.99	9.43	6.56	5.33
Water	7.22	7.51	7.56	7.44	6.49	7.09	6.61	7.14	6.42	7.22
Wastewater	4.90	5.08	4.86	4.16	3.91	4.97	5.16	4.81	4.55	5.97
Total	72.44	70.43	69.45	67.50	67.47	68.07	68.69	66.59	63.41	65.85

TOWN OF SMITHFIELD, VIRGINIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2022	2021	2020	2019	2018
Police					
Physical arrests	102	135	144	156	160
Parking violations	17	12	19	6	5
Traffic violations	977	1346	1436	1154	1026
Refuse collection					
Refuse collected (tons per day) [1]	8.02	8.57	7.92	8.38	8.26
Recycling collected (tons per day) [2]	N/A	N/A	1.60	1.56	1.63
Other public works					
Street resurfacing (lane miles) [1]	2.60	2.84	3.36	3.36	3.36
Potholes repaired [1]	22	20	25	17	21
Water					
New connections	75	59	31	65	23
Water mains breaks	57	77	76	77	64
Average daily consumption (thousands of gallons)	795.65	785.93	763.21	761.00	768.88
Peak daily consumption (thousands of gallons)	1,784.20	1,345.91	965.19	917.70	1,139.67

[1] Outsourced to subcontractors
[2] Recycling was discontinued in 2021

Table 13

2017	2016	2015	2014	2013
200	164	170	279	268
39	74	60	22	23
1395	1471	1108	1689	1662
7.57	7.53	7.29	9.63	9.44
2.06	1.87	1.64	N/A	N/A
2.34	1.56	2.52	1.50	1.25
43	59	73	80	85
25	19	24	21	28
29	68	76	30	25
787.72	816.87	829.31	835.80	828.59
1,819.12	1,782.13	1,886.87	1,949.25	1,968.15

TOWN OF SMITHFIELD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2022	2021	2020	2019
Police				
Stations	1	1	1	1
Patrol units	16	18	21	21
Fire stations	1	1	1	1
Other public works				
Street (miles)	49.17	49.17	48.59	48.46
Streetlights	708	707	707	707
Traffic signals	7	7	7	7
Park and recreation				
Acreage*	311.86	311.86	311.86	311.86
Playgrounds	2	3	3	2
Conference centers	1	1	1	1
Water				
Water mains (miles)	50.00	50.00	38.25	38.25
Storage capacity (thousands of gallons)	1,050	1,050	1,120	1,120
Wastewater				
Sanitary sewers (miles)	50.00	50.00	38.25	38.25

* Acreage increase in 2016 resulted from the purchase of the Little Farm (101.60 acres) to be used as public ballfields and the contribution of 5.70 acres by Smithfield Foods to be used as a public boat ramp accessed at the existing Clontz Park.

Table 14

2018	2017	2016	2015	2014	2013
1	1	1	1	1	1
21	21	21	21	22	22
1	1	1	1	1	1
48.02	48.02	47.02	47.02	47.02	47.11
707	705	705	705	704	704
7	7	7	7	7	7
311.86	311.86	311.86	204.556	203.296	203.296
2	2	2	2	2	2
1	1	1	1	1	1
38.25	38.25	38.25	38.25	38.25	38.25
1,120	1,120	1,120	1,120	1,120	1,120
38.25	38.25	38.25	38.25	38.25	38.25

Compliance



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Members of
the Town Council
Town of Smithfield, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Smithfield, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Smithfield, Virginia's basic financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer Cox Associates
(Charlottesville, Virginia
December 14, 2022



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the Honorable Members of
the Town Council
Town of Smithfield, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Smithfield, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Smithfield, Virginia's major federal programs for the year ended June 30, 2022. Town of Smithfield, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Smithfield, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Smithfield, Virginia and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Smithfield, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Smithfield, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Smithfield, Virginia's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Smithfield, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Smithfield, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Smithfield, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Smithfield, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance: (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Robinson, Farmer Cox Associates
Charlottesville, Virginia
December 14, 2022

TOWN OF SMITHFIELD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/State Pass - through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation			
Pass-through payments:			
Virginia Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	Not Available	\$ 73,090
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	FSC-2022-52293/FSC-2021-51421	7,186
National Priority Safety Programs	20.616	FM6OT-2021-51422/M6OT-2022-52257	5,730
Subtotal Highway Safety Cluster			<u>12,916</u>
Total Department of Transportation			<u>\$ 86,006</u>
Department of Treasury			
Pass-through payments:			
Department of Accounts:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	\$ 1,329,196
County of Isle of Wight, Virginia:			
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	<u>61,019</u>
Total Department of Treasury			<u>\$ 1,390,215</u>
Department of Housing and Urban Development			
Pass-through payments:			
Virginia Department of Housing & Community Development:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	\$ <u>137,358</u>
Total Expenditures of Federal Awards			<u>\$ 1,613,579</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal award activity of the Town of Smithfield, Virginia under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Smithfield, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Smithfield, Virginia.

Note 2 - Basis of Accounting

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 921,615
Water Fund	456,338
Sewer Fund	235,626
Total Federal revenues per financial statements	<u>\$ 1,613,579</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 1,613,579

TOWN OF SMITHFIELD, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR section 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$	750,000
Auditee qualified as low-risk auditee?	No	

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings

There were no prior year findings reported.

