

*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011*

Town of Smithfield, Virginia



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Town of Smithfield, Virginia ***Comprehensive Annual Financial Report***

Table of Contents

	Page
<i>Introductory Section</i>	
Table of Contents	<i>i-ii</i>
Town Council and Executive Officers	<i>iii</i>
<i>Financial Section</i>	
Report of Independent Auditors	1 - 2
Management's Discussion and Analysis	3 - 16
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	A-1 17
Statement of Activities	A-2 18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet - Governmental Funds	A-3 19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	A-3 20
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	A-4 21
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances to the Statement of Activities	A-4 22
Proprietary Funds:	
Statement of Net Assets - Proprietary Funds	A-5 23
Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds	A-6 24
Statement of Cash Flows - Proprietary Funds	A-7 25
Notes to Basic Financial Statements	26 - 42
Required Supplementary Information:	
Schedule of Revenue and Expenditures - Budget and Actual - General Fund	B-1 43 - 45
Schedule of Revenue and Expenditures - Budget and Actual - Special Revenue Fund	B-2 46
Schedule of Funding Progress for Defined Benefit Pension Plan	B-3 47
Notes to Required Supplementary Information	B-4 48
<i>Compliance Section</i>	
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	49 - 50
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51 - 52
Report of Independent Auditors on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants	53 - 54

***Town of Smithfield, Virginia
Comprehensive Annual Financial Report***

Table of Contents

		Page
Schedule of Expenditures of Federal Awards	B-5	55
Notes to Schedule of Expenditures of Federal Awards	B-6	56
Schedule of Findings and Questioned Costs	B-7	57 - 58
 <i>Statistical Section</i>		
Net Assets by Component	C-1	59
Change in Net Assets	C-2	60 - 61
Fund Balances, Governmental Funds	C-3	62
General Governmental Expenditures by Function	C-4	63
General Governmental Revenue by Source	C-5	64
Property Tax Rates	C-6	65
Principal Taxpayers - Real Estate and Personal Property	C-7	66
Property Tax Levies and Collections	C-8	67
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	C-9	68
Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures	C-10	69
Computation of Legal Debt Margin	C-11	70
Full-Time Equivalent City Government Employees by Function/Program	C-12	71
Operating Indicators by Function/Program	C-13	72
Capital Asset Statistics by Function/Program	C-14	73

Town of Smithfield, Virginia

Town Council and Executive Officers

Mayor

David M. Hare

Vice-Mayor

T. Carter Williams

Council Members

Constance H. Chapman
Dr. P. Milton Cook, Jr.
Andrew C. Gregory
John L. Graham
Denise N. Tynes

Town Clerk

Lesley M. Greer

Town Manager

Peter M. Stephenson

Treasurer

Ellen D. Minga

Chief of Police

Mark A. Marshall

Committees

Finance

John L. Graham (CH)
Andrew C. Gregory
Dr. P. Milton Cook, Jr.

Public Works

Constance H. Chapman (CH)
Dr. P. Milton Cook, Jr.
Denise N. Tynes

Water and Sewer

Andrew C. Gregory (CH)
John L. Graham
T. Carter Williams

Public Buildings and Welfare

Dr. P. Milton Cook, Jr. (CH)
T. Carter Williams
John L. Graham

Fire and Rescue

T. Carter Williams (CH)
Denise N. Tynes
Constance H. Chapman

Public Safety - Police

Denise N. Tynes (CH)
Andrew C. Gregory
Constance H. Chapman

Isle of Wight Economic Development Commission

Dr. P. Milton Cook, Jr.

Isle of Wight Tourism Bureau

Andrew C. Gregory
T. Carter Williams

Intergovernmental

David M. Hare
T. Carter Williams

Town of Smithfield, Virginia

Financial Section

June 30, 2011



Report of Independent Auditors

Honorable Mayor and Members of Town Council
Town of Smithfield, Virginia

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, 2011, which collectively comprise the ***Town of Smithfield, Virginia's*** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Town of Smithfield, Virginia's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the ***Town of Smithfield, Virginia*** as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012, on our consideration of the ***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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 43 through 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *Town of Smithfield, Virginia's* basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *Town of Smithfield, Virginia's* basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Dixon Hughes Goodman LLP

Newport News, Virginia
February 29, 2012

***Town of Smithfield, Virginia
Management's Discussion and Analysis
Fiscal Year July 1, 2010 - June 30, 2011***

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, 2011. This information should be read in conjunction with the Town's audited financial statements as reported herein.

FINANCIAL HIGHLIGHTS

- The net assets of the Town increased by \$1,796,678 which represents a 5% increase over FY2010 (total net assets-government-wide). This change is 5% less than the 10% increase realized in FY2010 that included significant land and cash donations for Windsor Castle Park.
- As of June 30, 2011, the Town had purchased 11 of 16 designated properties for Phase I Multi-Year 2 (MY2) of the Pinewood Heights Redevelopment Project. Demolition was completed for six units. The Town has received cumulative grant funds of \$529,000 from the Virginia Department of Housing and Community Development for MY2 with only \$71,000 remaining to be used for the last owner acquisition in FY2012. The Town also received a cash contribution of \$130,120 from Isle of Wight County to offset acquisition and relocation costs for the project.
- The Town purchased a portion of the former Sentara Obici property from Isle of Wight County for \$638,907. The Smithfield Police Department and the Town Manager's Office will be relocated to the new site once building renovations are completed.
- The Town began construction of a reverse osmosis plant on August 31, 2010 in order to treat the fluoride levels in the Town's water. Substantial progress was made towards completion of the project with 75% of progress billings paid as of June 30, 2011.
- Streetscape enhancement construction began on South Church Street in December 2010 and is expected to be completed in the Spring of 2012 with 25% of progress billings submitted through June 30, 2011.
- Engineering and field work continued on the Regional Sewer Consent Order. The project has been divided into tasks and 11% of those tasks totaling \$346,157 were completed in FY2011. A VAC truck was purchased as part of the project to reduce costs that arise from outsourcing the cleaning of grease traps and sewer lines.

Overview of the Financial Statements

This discussion and analysis serves 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 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 as a whole in a manner similar to private-sector businesses. Government-wide financial reporting consists of two statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents information on the Town's assets and liabilities, with the difference between the two reported as *net assets*. 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 assets changed during the most recent fiscal year. All changes in net assets 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.

The Statement of Net Assets 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 proprietary 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 A-3 and A-4 on pages 20 and 22 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, property assessments and tax rates, debt ratios, and other supporting and statistical information found on pages 43 through 46 and 59 through 72.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

June 30, 2011	Governmental Activities		Business-Type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Current and other assets	\$ 5,177,073	\$ 4,729,860	\$ 5,741,595	\$ 7,990,202	\$ 10,918,668	\$ 12,720,062
Capital assets	17,494,316	15,857,890	16,449,244	12,921,270	33,943,560	28,779,160
Total assets	\$ 22,671,389	\$ 20,587,750	\$ 22,190,839	\$ 20,911,472	\$ 44,862,228	\$ 41,499,222
Current and other liabilities	\$ 909,622	\$ 542,453	\$ 1,520,443	\$ 719,250	\$ 2,430,065	\$ 1,261,703
Long-term liabilities	794,303	155,128	4,326,312	4,567,521	5,120,615	4,722,649
Total liabilities	1,703,925	697,581	5,846,755	5,286,771	7,550,680	5,984,352
Net assets						
Invested in capital assets - net of related debt	16,855,409	15,757,552	12,153,344	8,383,785	29,008,753	24,141,337
Restricted	-	1,526,185	1,440,224	4,399,841	1,440,224	5,926,026
Unrestricted	4,112,055	2,606,432	2,750,516	2,841,075	6,862,571	5,447,507
Total net assets	20,967,464	19,890,169	16,344,084	15,624,701	37,311,548	35,514,870
Total liabilities and net assets	\$ 22,671,389	\$ 20,587,750	\$ 22,190,839	\$ 20,911,472	\$ 44,862,228	\$ 41,499,222

The combined net assets for the Town total \$37,311,548, an increase of 5% over FY2010. The largest portion of these net assets (77%) represent 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. The increase in FY2011 resulted largely from acquisition of property in the Pinewood Heights neighborhood, progress on the South Church Street Streetscape Project, and construction of the long planned reverse osmosis (RO) plant as it neared completion. Restricted assets of \$1,440,224 make up 3% of total net assets, a notable decrease from FY2010. Most of this decrease reflects a reclassification of restricted funds in both governmental and business-type activities to unrestricted funds. Restricted assets for business-type activities are made up of water debt service escrow funds less the total of loan payments made since the fund's inception and the balance of previously restricted loan investment funds. The debt service fee has been in place since FY2005 to fund the debt obligation relating to the Town's newest water storage tank finished in FY2010 and the RO Plant that will be completed early in FY2012. Unrestricted assets of \$6,862,571 make up 17% of total net assets and are made up of committed, assigned, and unassigned fund balances. Included in this category for governmental activities are cash balances in the highway fund that are used for state approved highway maintenance, beautification funds, contributions for streetscape improvements, escrow accounts for special projects, and estate funds directly bequeathed to the Town's police department. Unrestricted assets also include council assigned assets such as development escrow and capital escrow accounts for water and sewer funds. Water and sewer development escrow funds are made up of pro-rata share fees originating from new development that may be used to fund capital needs arising out of growth. Similarly, capital escrow funds are made up of availability fees collected prior to construction and may be used to repair or replace existing infrastructure as well as offset capital expenses related to new growth when needed. The remaining unassigned funds may be used to meet the Town's ongoing financial obligations.

Governmental Activities. The following table shows a detailed summary of the revenues and expenses for governmental and business-type activities for 2011 as compared to 2010:

June 30, 2011	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Revenue						
Program revenue:						
Charges for services	\$ 641,792	\$ 677,498	\$ 1,544,183	\$ 1,422,641	\$ 215,975	\$ 2,100,139
Operating grants and contributions	1,287,831	1,182,407	-	-	1,287,831	1,182,407
Capital grants and contributions	1,202,583	2,548,708	18,737	184,334	1,221,320	2,733,042
General revenue:						
Real estate and personal property taxes	2,670,808	2,707,054	-	-	2,670,808	2,707,054
Other local taxes	2,129,364	2,109,278	-	-	2,129,364	2,109,278
Insurance reimbursements	9,219	12,551	-	-	9,219	12,551
Reimbursements from other agencies	7,637	7,025	-	-	7,637	7,025
Miscellaneous	4,796	12,201	67,882	49,369	72,678	61,570
Availability fees for capital expenditures	-	-	153,760	1,127,179	153,760	1,127,179
Restricted fees for capital expenditures	-	-	891,417	1,127,179	891,417	1,127,179
Revenue from use of money and property	46,373	70,247	17,761	32,527	64,133	102,774
Total revenue	8,000,403	9,326,969	2,693,740	2,816,050	10,694,143	12,143,019
Expenses						
General government	931,295	875,740	-	-	931,295	875,740
Public buildings	186,364	188,126	-	-	186,364	188,126
Public safety	2,453,686	2,416,984	-	-	2,453,686	2,416,984
Public works	1,627,356	1,686,766	-	-	1,627,356	1,686,766
Cultural and recreation	806,902	599,380	-	-	806,902	599,380
Community development	561,600	805,672	-	-	561,600	805,672
Sewer	-	-	1,078,458	985,978	1,078,458	985,978
Water	-	-	895,899	871,765	895,899	871,765
Total expenses	6,567,203	6,572,668	1,974,357	1,857,743	8,541,560	8,430,411
Change in net assets before transfers and loss on dispositions	1,433,200	2,754,301	719,383	958,307	2,152,583	3,712,608
Loss on disposition of capital assets	(355,905)	(507,496)	-	-	(355,905)	(507,496)
Transfers	-	41,000	-	(41,000)	-	-
Increase in net assets	1,077,295	2,287,805	719,383	917,307	1,796,678	3,205,112
Net assets - beginning of year	19,890,169	17,602,364	15,624,701	14,707,394	35,514,870	32,309,758
Net assets - end of year	\$20,967,464	\$ 19,890,169	\$16,344,084	\$ 15,624,701	\$37,311,548	\$ 35,514,870

Program revenues are comprised of charges for services, operating grants and contributions, and capital grants and contributions. Charges for governmental activities services include licenses, permits, and privilege fees as well as fines, forfeitures, and rentals from the Town's Smithfield Center. These charges for services decreased \$35,706 from FY2010, largely due to a decrease in business license tax of \$77,563 that was partially offset by increases in vehicle license tax (\$23,014), review fees (\$5,471), Smithfield Center rentals (\$11,800), and Windsor Castle Park event rentals (\$3,000). Park rentals were a new revenue source for the Town in FY2011 as several weddings were held at the site. Of the \$641,792 collected for FY2011, \$285,280 (44%) was received from business license tax which was a 21% drop from FY2010 receipts of \$362,843. The significant decrease in business license tax was attributed to the closings of several businesses, reduction in gross receipts from ongoing businesses, and a small number of delinquent filings. Vehicle license taxes (22%) totaled \$139,053 which was an increase of \$23,014 from prior year. This noteworthy increase is a direct result of a change in policy in FY2010 that eliminated decals and added the tax as a separate line item on the Town's personal property tax bills. As a result, the vehicle license tax may be collected with delinquent payments unlike the old fee that was lost revenue if not collected in the decal year. Operating grants and contributions increased slightly from FY2010, rising from \$1,182,407 to \$1,287,831. While available operating grants may vary from year to year, the Town's annual state highway fund has remained a reliable and much needed source of revenue increasing from \$917,825 in FY2010 to \$951,305 in FY2011. The Town was also awarded a wellness initiative grant of \$45,550 in 2011 from the Obici Healthcare Foundation and received \$22,775 of the total grant funds to start the project. The largest increase in operating grants for 2011, however, was an additional donation made by Mr. Joseph W. Luter, III of \$88,120 for general maintenance at Windsor Castle Park. As in FY2010, the largest decrease in program revenues occurred in capital grants and contributions which decreased from \$2,548,708 in FY2010 to \$1,202,583 in FY2011. In FY2010, the Town received \$1,246,536 of cash and in-kind donations for Windsor Castle Park for improvements such as walking trails, bike paths, kayak launch, pier, and foot bridges. The Town also received \$400,528 in federal grant reimbursements for progress made in Phase I of the Pinewood Heights Redevelopment Project as well as a cash contribution of \$358,812 from Isle of Wight County to offset some of the Town's costs of acquisition and relocation for the project. In comparison, the Town again received federal grant reimbursement for continued progress in Phase I of the Pinewood Heights Redevelopment Project (\$529,000) as well as a planning grant (\$25,000) for Phase II. Likewise, the Town received an additional \$130,120 from Isle of Wight County for its portion of committed funding for Pinewood Heights. Additionally, the Town qualified for federal grant funds of \$505,466 for the South Church Street Streetscape Project of which \$165,329 was stimulus money from the American Recovery and Reinvestment Act (ARRA) of 2009 with the remaining allocated from transportation enhancement funds of \$340,137. A separate stimulus grant of \$13,952 was also granted to the Smithfield Police Department to be used towards the purchase of a police vehicle.

The largest revenue source for the Town is general property taxes.

	FY2011	FY2010
Real estate tax revenue	\$ 1,721,193	\$ 1,777,227
Public Service corporation property taxes	28,086	24,975
Personal property taxes	883,619	872,485
Penalties and interest	37,910	32,367
Total	\$ 2,670,808	\$ 2,707,054

Tax assessments for the Town are received from the Isle of Wight County Commissioner of Revenue. FY2011 was a reassessment year, and the total real estate value decreased by 3.48%. Town Council elected not to increase the real estate tax rate to offset the decrease instead opting to leave the rate at \$0.16 per \$100 of assessed value. Conversely, the total personal property assessment increased for FY2011 as vehicle values rebounded somewhat. Real estate and personal property assessments totaled \$1,090,457,100 and \$217,550,411 respectively, excluding any subsequent supplements and abatements, compared to \$1,114,370,006 and \$190,926,856 for FY2010.

Other local taxes increased only 1% for the year and include meals taxes, transient occupancy taxes, sales taxes, cigarette taxes, franchise taxes, communications taxes, and consumers' utility taxes. Meals tax collections of \$964,515 decreased \$5,117 from FY2010 due largely to the closing of several food establishments during the year but still remained strong and accounted for 45% of total local taxes. Transient occupancy tax increased \$14,367 with the last three quarters of the year all showing increases over prior year collections. Bank franchise taxes rose only \$1,827 indicating that the Town's share in net capital value for the five banking institutions located within the Town limits remained consistent. Sales tax reflected almost no change with an increase of \$785 but was at least stable after dropping \$21,025 in FY2010. The cigarette tax totaled \$132,698 and reflected a \$14,366 increase from FY2010. This tax usually does fluctuate from year to year since revenues are recognized by sales of cigarette tax stamps to wholesalers who typically buy in bulk. Communications taxes and consumers' utility taxes remained relatively flat for the third consecutive year. Communications taxes decreased by \$1,229 and utility taxes increased by only \$1,394. Communications taxes are distributed by the State of Virginia and are difficult to project because of numerous adjustments made by the State before the remaining funds are allocated to qualifying localities.

Insurance reimbursements of \$9,219 were slightly lower than the \$12,551 collected in FY2010. One police car was totaled during icy conditions resulting in reimbursement of \$9,075 that was used towards the purchase of a replacement vehicle.

Intergovernmental - Commonwealth of Virginia represents fuel tax refunds which increased \$612 from FY2010.

Miscellaneous revenues for FY2011 totaled \$4,796 and include postage refunds from IOW County for tourism mailings, electricity reimbursement revenues from Basses' Choice (a tenant of the Town), return check charges, accident report fees, and various vendor refunds. Miscellaneous revenues decreased by \$7,405 largely because cash proffer revenues of \$3,000 were collected in FY2010 as compared to \$0 for FY2011.

Revenue from use of money and property represent interest income, lease income, and rental income. Revenues in this category decreased \$23,874 from prior year as compared to a drop of only \$6,972 in FY2010. The decrease can be largely attributed to a drop in interest income of \$24,435 in FY2011. Interest rates were even lower in FY2011 than in FY2010 particularly on investment funds such as certificates of deposit. Whereas the Town had locked in on CD rates such as 3.29% in FY2010, the renewal rates dropped as low as .15% in FY2011. Consequently, one large CD was converted to a money market account for a better rate (1.16%) which still did not compare to previous earnings. Also, the Town continued to draw on cash reserves to fund two large capital grant projects until reimbursement was received from federal funding sources. One of these projects, Pinewood Heights, is ongoing, but the Town has renewed and utilized a \$500,000 line of credit to reduce the drain on cash balances pending reimbursement. The other project on South Church Street started in FY2011 and will not be completed until FY2012. There are numerous funding sources for this project making the reimbursement process more complicated and less timely.

Total expenditures for FY2011 governmental activities totaled \$6,567,203 compared to \$6,572,688 for FY2010, a decrease of only \$5,485 which is remarkably flat. These expenses are categorized as general government, public buildings, public safety, public works, cultural and recreational, and community development. Public safety (police and fire) and public works (including highway maintenance) are the largest cost centers and accounted for 37% and 25% of total costs respectively. Public safety increased by \$36,702 with noteworthy increases and decreases in select accounts during the year. Specifically, police computer technology costs increased by \$40,177 with payment of one-time licensing fees for mobile data units. Fuel costs were up, increasing from \$65,112 in FY2010 to \$79,062 in FY2011. Also, the Town contributed \$10,000 to the Smithfield Volunteer Fire Department as adopted in its Capital Improvement Plan to assist with purchase of a new fire vehicle. Additionally, public safety reflected reduced expenses such as \$30,000 in contributions for fire salaries normally paid to Isle of Wight County. This contribution originated in FY2000 when paid responders were hired by the County to assist the volunteer fire and rescue organizations with coverage during working hours. This commitment has always been verbal, so Town Council elected not to make payment in FY2011 pending further negotiations with Isle of Wight

County. Unlike Public Safety, Public Works ended the fiscal year with a \$59,410 decrease in total expenses dropping from \$1,686,766 in FY2010 to \$1,627,356 in FY2011. Highway maintenance decreased by \$106,943 but was offset by several account increases to account for this change. At the end of FY2009, the Town carried forward \$136,911 in state highway grant funds to be used in FY2010. By the end of FY2010, all of this excess had been spent except for \$27,293 meaning that appropriated expenses were higher in FY2010 by \$109,618 than they would have been without the carry forward. Since highway maintenance is directly determined by grant funds received and carried forward each fiscal year, the amount of road maintenance that can be accomplished during the year will depend upon the availability of those funds. The funds must be spent in a timely manner as annual reporting on the use of those funds is required by the state. Although FY2011 highway maintenance expenses dropped, there were increases in recycling costs (\$16,025), trash pickup (\$5,038) and labor costs (\$24,453). General Government plus interest and fiscal charges expenses rose by a net of \$55,555 with the largest increase of \$43,952 in interest and fiscal charges related to the purchase of property from Isle of Wight County. Public Buildings reflected a minimal decrease of \$1,762. Cultural and Recreation and Community Development virtually exchanged expense balances between FY2010 and FY2011 with Cultural and Recreation increasing by \$207,522 and Community Development decreasing by \$244,072 for a combined decrease of \$36,550. Increases in Cultural and Recreation included grass cutting (\$22,125), professional fees (\$11,130) and maintenance costs (\$96,207) for Windsor Castle Park as well as advertising expenses (\$5,433), professional fees (\$3,150), AV supplies (\$5,200), repairs and maintenance (\$21,716), and salaries (\$13,025) for the Smithfield Center. Also included was a contribution to the Ivy Hill Cemetery for \$14,500 for a historical marker. The decrease in Community Development resulted from a drop in relocation costs in the ongoing Pinewood Heights Relocation Project. The majority of relocation expenses in FY2011 were for renter properties, including several Section 8 units, as opposed to owner properties that are much more expensive to the Town.

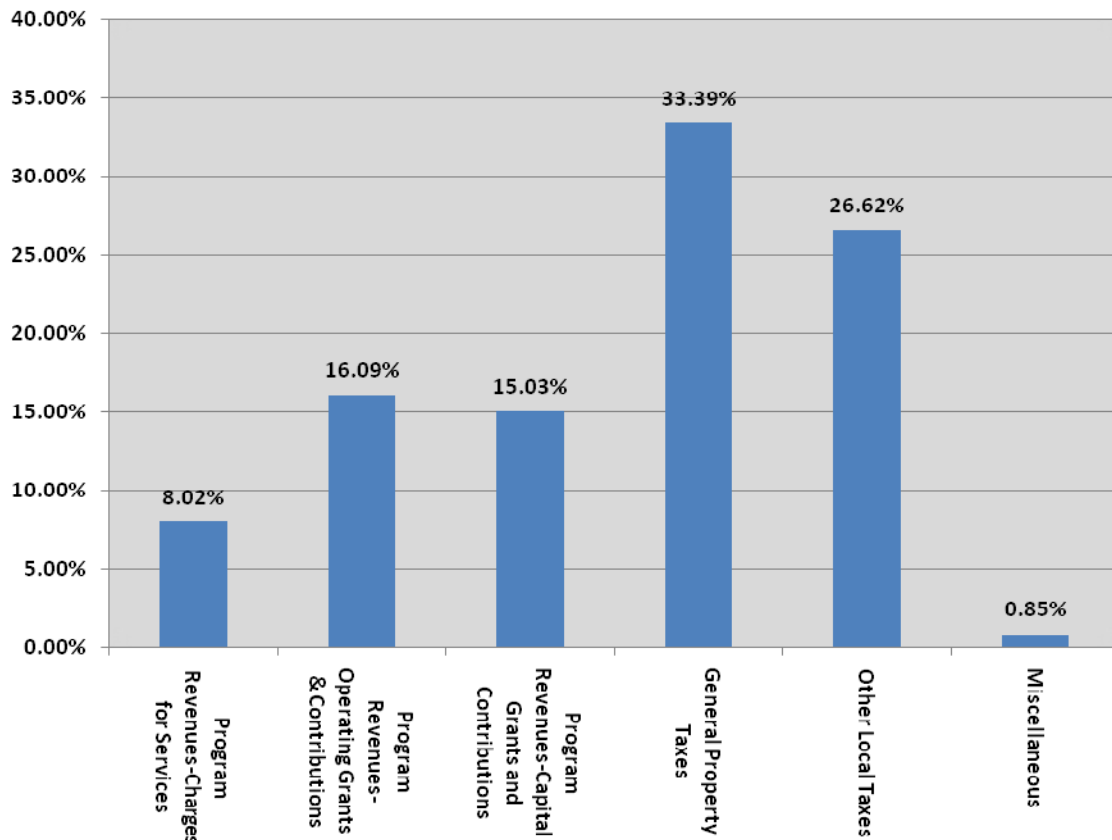
In FY2011, the Town of Smithfield realized a loss on disposition of capital assets totaling \$355,905. Most of this loss is related to the Pinewood Heights Redevelopment Project. As of June 30, 2011, the Town had purchased 27 properties from Pinewood Heights residents. Six of the units were demolished during FY2011, so the value of the buildings located on those properties had to be retired from the Town's capital assets. This activity was similar to that in FY2010 during which six units previously acquired in Pinewood Heights were likewise demolished and removed from the Town's asset list. The loss in FY2010 also reflected the demolition of previously donated property in order to construct a downtown entrance for Windsor Castle Park.

Business-Type Activities The business-type activities show an increase in net assets of \$719,383 for FY2011 compared to \$917,307 in FY2010. Program revenues include charges for services and capital grants and contributions. A significant portion of the charges for services include utility charges, bulk water sales, connection fees, and application fees. For FY 2011, combined utility charges and bulk water fees for water and sewer increased by \$123,248 (after excluding FY 2010 revenue received from Isle of Wight related to water purchase agreement noted below). This was a result of high customer usage during the extremely dry months of summer. Many customers were shocked by record high billings that related directly to the use of home irrigation systems. Connection fees, which are driven by growth, decreased from \$67,550 in FY2010 to \$48,800 in FY2011. Only sixteen 5/8" residential meters were installed in FY2011 as compared to thirty-one in the previous year. Application fees decreased slightly from \$5,448 in FY2010 to \$5,059 in FY2011. These fees represent a request for utility service that applies to all new customers. Because the application fee is driven by the number of new customers (which does not always mean new construction), it has remained consistent over the years as consumers buy and sell property. Also included in charges for services are availability fees and restricted fees. Like connection fees, availability fees are tied directly to growth. Availability fees are collected at the same time as connection fees, and the charge is based on meter size. In FY2011, availability fees dropped to \$153,760 compared to \$212,040 in FY2010 as 15 fewer residential meters were installed. Availability fees are deposited into the Capital Escrow Fund and are used for capital maintenance on existing infrastructure and may be used to finance new infrastructure if needed. Restricted fees for capital expenditures include sewer compliance fees and debt service fees which are both deposited into escrow accounts and are not used to fund operating expenses.

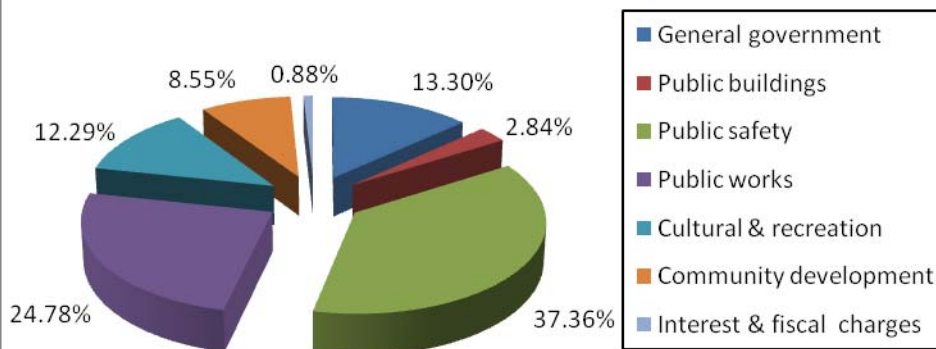
The Sewer Compliance Escrow Fund was established in FY2010 to track collections of the newly implemented sewer compliance fee (\$24.14 bi-monthly) and disbursements for the regional Sanitary Sewer Consent Order. The sewer compliance fee was implemented in October 2010 and added \$348,437 to restricted fees over a nine month period. In FY2011, the first full year of billing for the sewer compliance fee generated revenues of \$487,700. Since this fee is added equally to each utility account, collections should remain consistent for future years barring any dramatic change in growth and development. Likewise, debt service fees of \$19.30 per utility account are also collected bi-monthly and deposited into the Water Debt Service Fund to be used exclusively to pay down debt borrowed for construction of the newly completed water storage tank and future water treatment plant. Debt service fees are also applied equally to each utility account and therefore do not normally fluctuate greatly. FY2010 was the exception, however, with billings of \$566,701 compared to \$400,552 in FY2009 and \$403,716 in FY2011. During FY2010, the Town finally reached an agreement with Isle of Wight County regarding an expired water agreement between the two localities. The new agreement provided that the County would pay an assessment for debt service fees dating back to the expiration date of the previous agreement (January 1, 2008). The total of this assessed payout was \$164,927. Also included in program revenues are capital grants and contributions which decreased from \$184,334 in FY2010 to \$18,737 in FY2011. In FY2010, the Town received a donation of a new sewer pump station valued at \$166,500 from a developer in the Town's Cypress Creek subdivision. Capital contributions have become infrequent, however, with development at a minimum. Included in general revenues for water and sewer are miscellaneous revenues and unrestricted investment earnings. Miscellaneous revenue for FY2010 was made up solely of cash proffers, which are voluntary payments made by developers to offset the impact of new development on the Town's infrastructure. Proffers of \$49,369 in FY2010 were added to those received in FY2009 and used to offset construction costs for a new water storage tank that was completed in FY2010. Revenue from use of money and property is made up of interest income and decreased \$14,766 in FY2011. This decrease was caused by sustained low interest earnings on all cash accounts and the loss of interest on bond proceeds that are no longer available or eligible as an investment tool. Expenses increased \$116,614 from FY2010 with \$92,480 attributable to sewer and \$24,134 attributable to water. The increases for sewer were spread across various accounts with the largest in salaries (\$29,302), maintenance and repairs (\$26,576), depreciation (\$14,543), beam maintenance (\$5,000) and miscellaneous (\$5,098). Salaries increased as the duties of personnel were re-evaluated and allocated accordingly among highway, water, and sewer funds. Operating repairs and maintenance also increased with the purchase of several pumps and generators just below the capitalization threshold. Purchase of a VAC truck and completion of several tasks related to the regional sewer consent order resulted in an increase in depreciation. Beam maintenance was a new item added to address beam ratings at the sewer pump stations, and miscellaneous expenses included a \$2,000 reimbursement to a local resident for additional contract costs incurred because of a sewer line location error as well as \$3,122 to Excel Paving Company for relocation of a sewer line due to streetscape improvements on South Church Street. The net water increase resulted from changes in various accounts with the largest increases in salaries (\$16,465), professional services (\$14,763), utilities (\$29,902), and depreciation (\$29,904) offset by decreases in water tank maintenance (\$27,616) and materials and supplies (\$37,488). Like sewer, salaries for the water fund increased with the reallocation of personnel time in the Public Works department. Professional fees reflected payment to the Town's engineering consultant, Clark Nexsen, for review of a water tank inspection report and estimate for repairs. Utilities increased with the construction of the Reverse Osmosis plant and subsequent testing. Depreciation expense rose as the new water storage tank completed at the end of FY2010 was moved from construction in progress to an active asset. Water tank maintenance decreased after it was put on hold pending review and recommendations from the Town's engineering consultant.

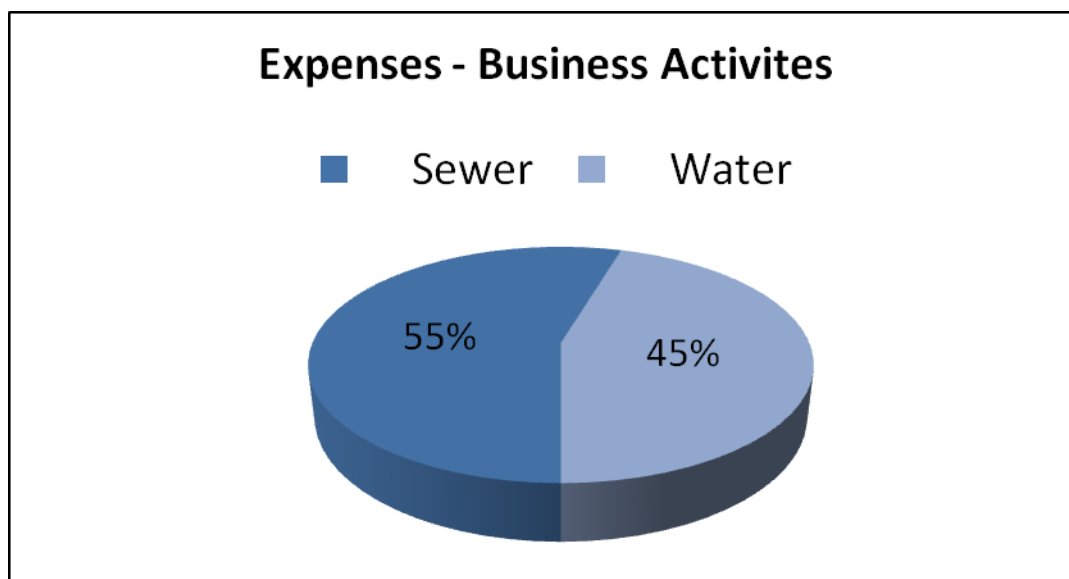
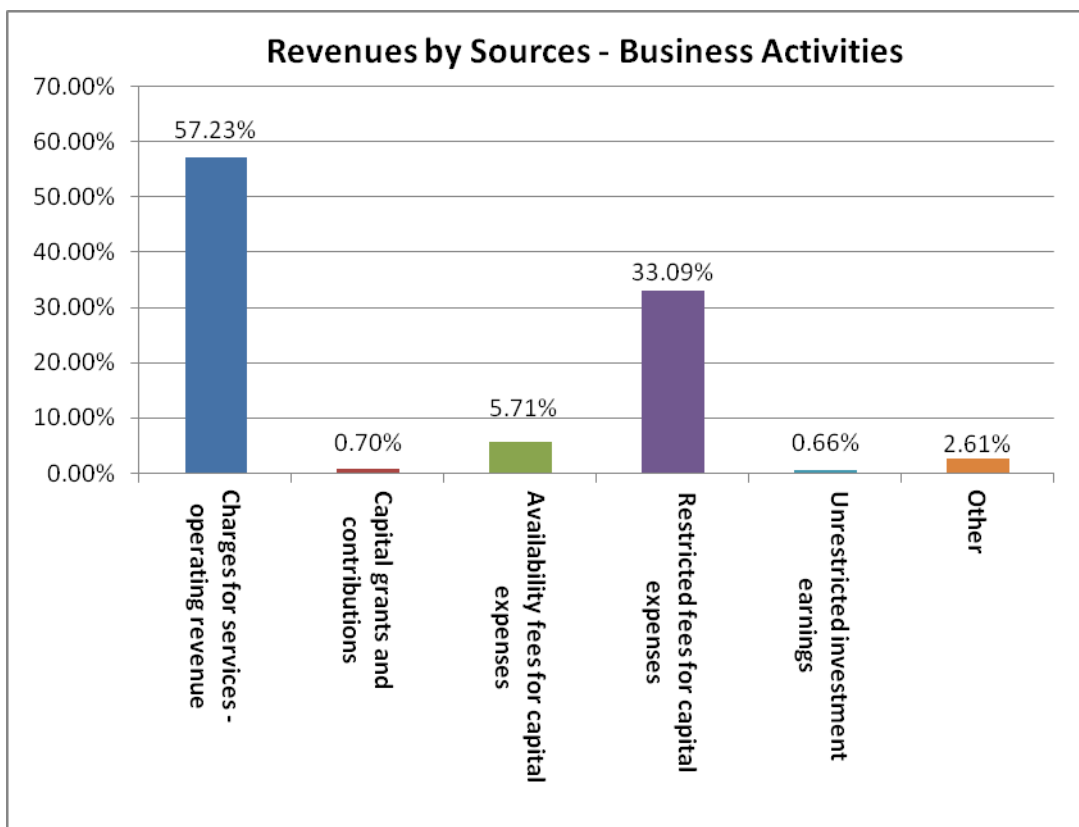
The Town's utility rate structure is based on "usage only" with a charge of \$2.90 per 1,000 gallons for sewer and \$2.55 per 1,000 gallons for water for in-town customers. The rate structure also includes fixed costs on each bi-monthly bill of \$24.14 and \$19.30 per account to address sewer compliance and water debt service expenses. During FY2011, water consumption increased approximately 5% from FY2010 reflecting the first increase in consumption in three years. The spike in usage occurred during the summer months when the heat was excessive and rainfall was sparse. Consumption for the remainder of the fiscal year was in line with prior year. Accounts receivable balances remained high for FY2011 as in FY2010 although cut-offs were done monthly to address delinquencies.

Revenues by Sources-Governmental Activities



Expenses - Governmental Activities





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 \$4,158,176 for FY2011, of which \$794,550 are committed, \$1,174,566 are assigned, and \$2,189,060 are unassigned and available for discretionary spending. This was a slight increase from FY2010 which had a fund balance of \$4,079,046.

General Fund - The general fund is the Town's primary operating fund for all governmental activities. Total fund balances for FY2011 equal \$4,002,533 and are made up of committed fund balances of \$638,907, assigned fund balances of \$1,174,566, and unassigned fund balances of \$2,189,060. The unassigned fund balances account for 55% of total general fund balances.

Special Revenues Fund - The special revenues fund (highway fund) is used to track receipts from the state that are specifically designated for road maintenance and to identify allowable expenses that may be charged against those state revenue. Committed fund balances for FY2011 totaled \$147,536 which is an increase from \$9,618 in FY2010. The balance of committed funds for special revenues should be small because ideally grant funds from the state should be expensed in the same year they are allocated. The Town did not spend all of its 2011 highway grant funds, however, and will carry forward a balance to apply to maintenance projects in FY2012.

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 2011, the net assets of the proprietary funds totaled \$16,344,084 which is a 4.6% increase over FY2010 and reflects the progress made on the regional sewer sanitary sewer consent order and construction of the Reverse Osmosis plant. Restricted assets of \$1,440,224 represent the balance of water debt service escrow funds less the total of loan payments made since the fund's inception and the balance of previously restricted loan investment funds. Unrestricted funds decreased from \$2,841,075 in FY2010 to \$2,750,516 in FY2011 as funding was used for progress payments on the sanitary sewer consent order as well as construction costs for the water reverse osmosis plant.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's FY2011 budget was adopted by Town Council at a special meeting held on June 21, 2010. It was appropriated at the July 6, 2010 Town Council meeting. An amended budget was presented and adopted on June 7, 2011. The amended budget reflected a \$384,498 (3.36%) decrease over the originally adopted budget. One area that did increase, however, was the budget for personal property taxes that rose \$104,400 or 13%. Personal property assessments were higher than expected in FY2011 as vehicle values recovered somewhat from the prior year. Delinquent personal property collections (\$50,927) and associated penalties and interest (\$25,680) were also up in FY2011 as the Town outsourced the printing and mailing of its tax bills for the first time. Use of the National Change of Address registry by a contracted processing company enabled a greater number of original and delinquent notices to reach intended taxpayers. Bank franchise taxes rose again in FY2011 (\$18,620) although not as greatly as in FY2010 (\$47,900). Four of the five banking institutions located in the Town recorded increases for FY2011 offsetting one significant decrease (\$12,410). Communications tax was increased

by \$18,000 (7.5%) in anticipation of greater revenues from the state than originally projected. Unfortunately, these revenues dropped off at the end of the fiscal year and did not quite meet expectations although collections of \$246,609 still exceeded the original budget of \$240,000. One more notable increase was vehicle license tax that was increased by \$16,025 to a budget of \$130,025 and actually came in higher at \$139,083. When the Town eliminated vehicle decals in FY2010 and added the tax to the personal property tax bills, the collection rate increased because the charge was included in delinquent tax totals if not paid. In the past, if the decal was not purchased during the year of its effective date, it became lost revenue. Revenue from the Use of Money and Property was adjusted down by \$106,004 because the Town reduced its expected revenue on the anticipated sale of a land parcel. For the second year in a row, the land parcel did not sell although an interested party has been identified. Revenue from the Federal Government was adjusted from \$2,518,670 to \$2,035,598 (19% decrease). The Town started work on the next phase of the South Church Street Streetscape Enhancement project during FY2011 with budgeted grant and stimulus funds from the federal government totaling \$1,382,060. The project was delayed, however, and did not begin until December 2010. While all of the expected stimulus funds were used and reimbursed (\$165,329), only a portion of the federal enhancement funds (\$340,136) were spent during the year and urban funds were not used at all. These will be rolled forward to FY2012. Other financing sources include contributions which were reduced from \$1,108,060 to \$504,300 (54%). This decrease resulted from a delay of contributions from private sources for the South Church Street Streetscape Enhancement Project as well as a request from Isle of Wight County to roll a portion of its commitment to the Pinewood Heights Project to the next fiscal year. The balance of the South Church Street contributions (\$875,000) is expected to be collected in FY2012. Beautification reserves of \$392,940 were added to the budget to fund part of the South Church Street Streetscape Enhancement Project but only \$101,225 was used. Budgeted operating reserves were increased by \$307,266 as it was expected they would be needed to cover the excess of total expenditures over revenues for the year. A budget for general obligation bond-land acquisition was added in the amount of \$934,345 to reflect the agreement between the Town and Isle of Wight County for the Town's purchase of a portion of the former Sentara Obici property. Line of credit proceeds (\$500,000) and loan proceeds (\$554,000) were eliminated from the budget. Upon further review during the FY2010 audit, the Town was advised that line of credit funding should not have been budgeted as revenue but recorded as a current liability instead. Also, loan proceeds of \$554,000 that were expected to be used towards the acquisition of real property were no longer needed when a general obligation bond was issued instead. State highway road maintenance funds increased by \$33,430 in FY2011. Also, road maintenance reserves increased by \$27,293 to reflect a carry forward of state highway grant funds not used as of June 30, 2010. This reserve would allow the Town to increase highway maintenance in FY2011, but expenditures did not meet budget and thus a carry forward of grant funds will be necessary in FY2012 as well. Most of the departmental operating expenses for FY2011 remained flat or showed slight decreases, but there were some notable increases as well as one significant decrease. The budget for Community Development was increased by \$279,666 (32%). This increase was directly related to the Pinewood Height Redevelopment Project. The Town acquired 9 of the 16 required properties for Phase I MY2 of the project in FY2011. As a result of those acquisitions, 1 homeowner and 10 renters were relocated with one of the renters becoming a first time homeowner. Also, 6 units were demolished during the fiscal year. The budget for Parks, Recreation, and Cultural also increased by \$148,160 (28%) to account for donated operating repairs and maintenance to Windsor Castle Park and renovation repairs for the Smithfield Center that were not eligible for capitalization. Budgeted debt service payments were decreased by \$577,164 for expected payments of principal on the Town's \$500,000 line of credit for the Pinewood Heights project and loan funds for property acquisition. As explained above with the budgeted revenue changes, the Town later reclassified the principal for this short term financing as a current liability with only the interest showing as current year expense. Also, the original budget for loan funds was removed and replaced with a general obligation bond between the Town and Isle of Wight County. While there was some payment of interest at the end of FY2011, principal payments will not start until FY2012. Capital outlay for public buildings was increased from \$750,000 to \$1,020,845 to reflect an increase in the cost of purchased property as well as the start of contract work to renovate the buildings acquired in the sale. Also, capital outlay for Community Development increased by \$233,835 (44%) for a projected increase in the cost of property acquisitions in Phase I MY2 of the Pinewood Heights Relocation Project. This project has been a moving target as it is often difficult to project the closing dates with property owners who have agreed to sell.

Consequently, the number of acquisitions may deviate from those made in budget projections. For FY2011, capital outlay for the Pinewood Project totaled \$673,589 which was between the original and amended budget projections. The largest decrease of the amended budget was elimination of public work reserves (\$755,000) for the South Church Street Streetscape Enhancement project. Since private contributions were not received as expected in FY2011, the Town did not have excess reserves to set aside for this project. Road maintenance expenses for highway funds were increased by \$60,723 to allow the Town to utilize the carry forward of FY2010 state highway grant fund as well as the increase in grant funding for FY2011.

PROPRIETARY FUND BUDGETARY HIGHLIGHTS

The budget for proprietary funds was revised during FY2011 to reflect an increase in income of \$209,848 (48.99%). Budgeted revenues increased \$131,087 (5.79 %) largely for an increase in sewer compliance fees that are collected to fund expenses resulting from the Regional Sanitary Sewer Consent Order. The original budget of \$404,500 did not take into consideration that the previous year's sewer compliance revenue only represented a partial year; therefore, the budget for FY2011 was understated. Also, water consumption increased in FY2011 for the first time in three years, so combined charges for water and sewer were increased by \$53,300 (4%) to reflect that change. Connection fees continued a downward trend and decreased by \$7,920 (16%) as meter installations for new construction fell below original projections. The Town budgeted for 25 residential meter connections in FY2011 but the actual number of installations was 16. The Town decreased the operating expense budget for proprietary funds by \$114,911 (9%) to reflect increases in inventory that are normally offset against materials and supplies purchases for the year. The budget for non-operating revenues and expenses was also decreased to adjust revenues for availability fees and interest income. Availability fees are paid at the same time as connection fees and likewise fell below budget when the number of meter installations did not meet projections. Interest income was also decreased by \$18,113 (42%) as interest rates remained low and cash balances were used to fund progress payments for the regional sewer consent order and the reverse osmosis plant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of FY2011, the Town's investment in capital assets for its governmental and business-type activities totaled \$33,943,560, net of accumulated depreciation. This is an increase of \$5,164,400 from FY2010. The Town's investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment 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 current fiscal year included the following:

- Purchase of three new police vehicles, a public works vehicle, and a VAC truck
- Completed renovations to the Smithfield Center including carpet, flooring, lighting, and seating
- Purchase of 9 land parcels as part of Phase I MY2 of the Pinewood Heights Redevelopment Project
- Property acquisition from Isle of Wight County for purposes of relocating the Town's Police Department and Town Manager's office
- Additional progress billings for 11% of costs for engineering fees and SCADA calibration checks associated with the sanitary sewer overflow (SSO) consent order
- Progress billings of 75% on construction of the Reverse Osmosis (RO) plant
- Progress billings of 25% on the South Church Street Streetscape Enhancement Project and simultaneous water line replacement

Additional details on the Town's capital assets can be found in Note 5 of the Notes to the Basic Financial Statements.

Debt Administration. Outstanding debt for the Town at fiscal year end 2011 totaled \$4,934,807 of which \$638,907 originated from governmental activities and the remaining \$4,295,900 from business-type activities. Total outstanding debt increased \$391,124 from FY2010 due to issuance of a general obligation bond between the Town of Smithfield and Isle of Wight County for the acquisition of real property that was greater than payment of annual principal on utility debt. The Town's ratio of net bonded debt to total assessed value of taxable property increased from .0005% in FY2010 to .05% in FY2011.

Detailed information about the Town's net bonded debt per capita and legal debt margin may be found in Exhibits C-9 and C-11 on pages 68 and 70 of this report. The Town's outstanding debt is significantly below the state's allowable limit of 10% of the total assessed value of taxed real property.

ECONOMIC FACTORS

The Town of Smithfield made positive strides in a challenging economy during FY2011. Although the Town's revenue sources remained strong, a 21% drop in business license revenue was a concern as several businesses closed and many reported a drop in gross receipts. Large projects continued to dominate the Town's budget with significant progress made towards completion of Phase I of the Pinewood Heights Relocation Project, ongoing engineering and field work for the regional sewer consent order, construction of the reverse osmosis plant to treat the Town's water, and the start of the South Church Street Streetscape Enhancement Project. The traffic challenges on South Church Street during this construction period will continue into FY2012 and will require the patience and cooperation of all who pass through the Town. Departmental budget allocations remained flat where possible from FY2010 and salaries were frozen for the second straight year for all employees. As in prior years, the Town remained committed to providing essential services to the residents and businesses of the town and utilizing the talents of Town staff towards that goal. With all four of the large capital projects highlighted above continuing into next year, FY2012 looks to be another busy and demanding year. As always, the first priority of Town officials and staff will be to meet consumer needs while monitoring the Town's financial position to responsibly meet its obligations.

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 2011. Questions concerning this report or requests for additional information should be directed to the Treasurer, Town of Smithfield, 310 Institute Street, Smithfield, VA 23430.

Town of Smithfield, Virginia

Basic Financial Statements

June 30, 2011

*Statement of Net Assets***June 30, 2011**

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 2,202,271	\$ 2,797,626	\$ 4,999,897
Investments	20,034	-	20,034
Receivables - net	145,578	221,023	366,601
Due from other governments	450,525	756	451,281
Due from other funds	635,390	2,002	637,392
Inventories	-	197,952	197,952
Restricted assets			
Cash and cash equivalents	1,687,477	2,158,095	3,845,572
Investments	35,798	364,141	399,939
Capital assets			
Nondepreciable	8,896,242	5,071,550	13,967,792
Depreciable - net	8,598,074	11,377,694	19,975,768
Total assets	\$ 22,671,389	\$ 22,190,839	\$ 44,862,228
Liabilities			
Accounts payable and other current liabilities	\$ 748,785	\$ 866,058	\$ 1,614,843
Accrued expenses	91,133	18,995	110,128
Due to other governments	54,667	-	54,667
Due to other funds	2,002	635,390	637,392
Deferred revenue	13,035	-	13,035
Noncurrent liabilities			
Due within one year	70,344	323,303	393,647
Due in more than one year - net	723,959	4,003,009	4,726,968
Total liabilities	1,703,925	5,846,755	7,550,680
Net Assets			
Invested in capital assets - net of related debt	16,855,409	12,153,344	29,008,753
Restricted	-	1,440,224	1,440,224
Unrestricted	4,112,055	2,750,516	6,862,571
Total net assets	20,967,464	16,344,084	37,311,548
Total liabilities and net assets	\$ 22,671,389	\$ 22,190,839	\$ 44,862,228

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

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government administration	\$ 873,583	\$ 441,428	\$ 725	\$ -	\$ (431,430)	\$ -	\$ (431,430)
Public buildings	186,364	-	-	-	(186,364)	-	(186,364)
Public safety	2,453,686	68,017	216,828	13,952	(2,154,889)	-	(2,154,889)
Public works	1,627,356	-	954,383	504,511	(168,462)	-	(168,462)
Cultural and recreation	806,902	132,347	115,895	-	(558,660)	-	(558,660)
Community development	561,600	-	-	684,120	122,520	-	122,520
Interest and fiscal charges	57,712	-	-	-	(57,712)	-	(57,712)
Total governmental activities	6,567,203	641,792	1,287,831	1,202,583	(3,434,997)	-	(3,434,997)
Business-type activities:							
Water	895,899	1,299,332	-	-	-	403,433	403,433
Sewer	1,078,458	1,357,910	-	18,737	-	298,189	298,189
Total business-type activities	1,974,357	2,657,242	-	18,737	-	701,622	701,622
Total primary government	\$ 8,541,560	\$ 3,299,034	\$ 1,287,831	\$ 1,221,320	(3,434,997)	701,622	(2,733,375)
General property taxes					2,670,808	-	2,670,808
Other local taxes					2,129,364	-	2,129,364
Revenue from use of money and property					46,373	17,761	64,134
Loss on disposition of capital assets					(355,905)	-	(355,905)
Miscellaneous					4,796	-	4,796
Insurance reimbursements					9,219	-	9,219
Intergovernmental - Commonwealth of Virginia					7,637	-	7,637
Total general revenue, transfers and miscellaneous					4,512,292	17,761	4,530,053
Change in net assets					1,077,295	719,383	1,796,678
Net assets - beginning of year					19,890,169	15,624,701	35,514,870
Net assets - end of year					\$ 20,967,464	\$ 16,344,084	\$ 37,311,548

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

Balance Sheet - Governmental Funds**June 30, 2011**

Assets	General	Special Revenue	Capital Projects	Total Governmental Funds
Cash and cash equivalents	\$ 2,061,811	\$ 140,397	\$ 63	\$ 2,202,271
Investments	20,034	-	-	20,034
Taxes receivable - net of allowance for uncollectible doubtful accounts of \$201,904	59,340	-	-	59,340
Accounts receivable	85,617	-	-	85,617
Interest receivable	621	-	-	621
Due from other governments	450,525	-	-	450,525
Due from proprietary fund	635,348	42	-	635,390
Due from other funds	107	226,530	8,151	234,788
Restricted assets:				
Cash and cash equivalents	1,687,477	-	-	1,687,477
Investments	35,798	-	-	35,798
Total assets and other debits	\$ 5,036,678	\$ 366,969	\$ 8,214	\$ 5,411,861
Liabilities				
Accounts payable	\$ 543,158	\$ 205,627	\$ -	\$ 748,785
Accrued wages	83,433	7,700	-	91,133
Accrued vacation	47,985	4,104	-	52,089
Due to other governments	54,667	-	-	54,667
Due to proprietary fund	-	2,002	-	2,002
Due to other funds	234,681	-	107	234,788
Deferred revenue	70,221	-	-	70,221
Total liabilities	1,034,145	219,433	107	1,253,685
Fund Balances				
Fund balances				
Committed				
General	638,907	-	-	638,907
Other governmental funds	-	147,536	8,107	155,643
Assigned				
General	1,174,566	-	-	1,174,566
Unassigned				
General	2,189,060	-	-	2,189,060
Total fund balances	4,002,533	147,536	8,107	4,158,176
Total liabilities, fund balances and other credits	\$ 5,036,678	\$ 366,969	\$ 8,214	\$ 5,411,861

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

Balance Sheet - Governmental Funds

June 30, 2011

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets****Total fund balances - governmental funds** \$ 4,158,176

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds 17,494,316

Some of the Town's taxes were collected more than forty-five days after
year-end and, therefore, are not considered available
to pay for expenditures recorded in the the current fiscal year 57,186

Long-term liabilities, including bonds payable and compensated absences,
are not due and payable in the current period and, therefore, are not
reported as liabilities in the governmental funds. (742,214)

Total net assets - governmental activities \$ 20,967,464

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

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds**Year Ended June 30, 2011**

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenue				
General property taxes	\$ 2,681,191	\$ -	\$ -	\$ 2,681,191
Other local taxes	2,129,364	-	-	2,129,364
Licenses, permits and privilege fees	441,428	-	-	441,428
Fines and forfeitures	68,017	-	-	68,017
From use of money and property	173,125	258	-	173,383
Miscellaneous	29,571	-	-	29,571
Intergovernmental:				
Commonwealth of Virginia	202,378	951,305	-	1,153,683
Federal government	1,096,213	-	-	1,096,213
Total revenue	6,821,287	951,563	-	7,772,850
Expenditures				
General government administration	773,996	-	-	773,996
Public safety	2,445,825	-	-	2,445,825
Public buildings	890,278	-	-	890,278
Public works	1,495,022	813,645	-	2,308,667
Cultural and recreation	866,696	-	-	866,696
Community development	1,221,142	-	-	1,221,142
Debt service:				
Principal retirement	6,246	-	-	6,246
Interest and fiscal charges	57,712	-	-	57,712
Total expenditures	7,756,917	813,645	-	8,570,562
Excess (deficiency) of revenue over expenditures	(935,630)	137,918	-	(797,712)
Other financing sources				
Proceeds from long-term debt	638,907	-	-	638,907
Contributions	228,716	-	-	228,716
Insurance proceeds	9,219	-	-	9,219
	876,842	-	-	876,842
Revenue and other financing sources over (under) expenditures and other financing uses	(58,788)	137,918	-	79,130
Fund balances - beginning of year	4,061,321	9,618	8,107	4,079,046
Fund balances - end of year	\$ 4,002,533	\$ 147,536	\$ 8,107	\$ 4,158,176

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

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds**Year Ended June 30, 2011****Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities**

Net change in fund balances - total governmental funds	\$ 79,130
---	------------------

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and contributions exceeded depreciation and dispositions. The details of this difference are as follows:

Depreciation expense	(454,403)	
Capital outlay expenditures	2,446,837	
Cost of assets disposed	(355,905)	
		1,636,529

Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(10,383)
--	----------

Capital lease obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal payments on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(632,764)
--	-----------

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	4,783
--	-------

Change in net assets of governmental activities	\$ 1,077,295
--	---------------------

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

Statement of Net Assets - Proprietary Funds**June 30, 2011**

Assets	Water Fund	Sewer Fund	Total
Current assets			
Cash and cash equivalents	\$ 1,864,420	\$ 933,206	\$ 2,797,626
Accounts receivable	99,837	121,186	221,023
Due from other funds	2,002	180,561	182,563
Due from other governments	-	756	756
Inventories - at cost	126,826	71,126	197,952
Total current assets	2,093,085	1,306,835	3,399,920
Restricted assets			
Cash and cash equivalents			
Sewer and water expansion fees	1,367,016	791,079	2,158,095
Investments	364,141	-	364,141
Total restricted assets	1,731,157	791,079	2,522,236
Property, plant and equipment - net of accumulated depreciation	9,465,515	6,983,729	16,449,244
Total assets	\$ 13,289,757	\$ 9,081,643	\$ 22,371,400
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 753,340	\$ 112,718	\$ 866,058
Due to other funds	478,587	337,364	815,951
Accrued wages	9,192	9,803	18,995
Accrued compensated absences - current portion	4,823	4,661	9,484
General obligation bonds - current maturities	159,450	70,550	230,000
Note payable - current maturities	-	19,689	19,689
Accrued interest	51,163	12,967	64,130
Total current liabilities	1,456,555	567,752	2,024,307
Noncurrent liabilities			
Compensated absences - net of current portion	9,799	11,129	20,928
General obligation bonds payable - net of unamortized premiums	2,950,500	954,500	3,905,000
Note payable - net of current maturities	-	77,081	77,081
Total noncurrent liabilities	2,960,299	1,042,710	4,003,009
Total liabilities	4,416,854	1,610,462	6,027,316
Net Assets			
Invested in capital assets - net of related debt	6,304,402	5,848,942	12,153,344
Restricted	1,440,224	-	1,440,224
Unrestricted	1,128,277	1,622,239	2,750,516
Total net assets	8,872,903	7,471,181	16,344,084
Total liabilities and net assets	\$ 13,289,757	\$ 9,081,643	\$ 22,371,400

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

Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds**Year Ended June 30, 2011**

	Water Fund	Sewer Fund	Total
Operating revenue			
Charges for services	\$ 830,897	\$ 710,787	\$ 1,541,684
Miscellaneous	2,499	-	2,499
	<u>833,396</u>	<u>710,787</u>	<u>1,544,183</u>
Operating expenses			
Personnel services	287,550	313,018	600,568
Supplies and chemicals	58,038	43,719	101,757
Fringe benefits	55,602	66,539	122,141
Utilities	69,626	51,690	121,316
Contractual services	59,023	34,658	93,681
Maintenance	16,965	52,820	69,785
Miscellaneous	30,183	14,339	44,522
Insurance	14,555	15,299	29,854
Truck operations	12,418	13,629	26,047
	<u>603,960</u>	<u>605,711</u>	<u>1,209,671</u>
Operating income before bad debt and depreciation expense	229,436	105,076	334,512
Bad debt expense	5,271	2,391	7,662
Depreciation expense	156,395	421,053	577,448
	<u>67,770</u>	<u>(318,368)</u>	<u>(250,598)</u>
Operating income (loss)			
Nonoperating revenue (expenses)			
Availability fees	62,220	91,540	153,760
Compliance fees	-	487,700	487,700
Debt service fees	403,716	-	403,716
Interest and fiscal charges	(127,687)	(49,303)	(176,990)
Interest income	11,133	6,628	17,761
Other	-	67,883	67,883
Regional storm water study	(2,586)	-	(2,586)
	<u>346,796</u>	<u>604,448</u>	<u>951,244</u>
Income before contributions	414,566	286,080	700,646
Capital contributions	-	18,737	18,737
Change in net assets	414,566	304,817	719,383
Net assets - beginning of year	<u>8,458,337</u>	<u>7,166,364</u>	<u>15,624,701</u>
Net assets - end of year	<u>\$ 8,872,903</u>	<u>\$ 7,471,181</u>	<u>\$ 16,344,084</u>

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

Statement of Cash Flows - Proprietary Funds**Year Ended June 30, 2011**

	Water Fund	Sewer Fund	Total
Cash flows from operating activities			
Received from customers and users	\$ 989,879	\$ 710,406	\$ 1,700,285
Payments to supplier for goods and services	(212,485)	(305,793)	(518,278)
Payment to employees	(340,789)	(379,734)	(720,523)
Net cash from operating activities	436,605	24,879	461,484
Cash flows from noncapital financing activities			
Operating transfers in - net	114,519	(97,536)	16,983
Net cash from noncapital financing activities	114,519	(97,536)	16,983
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(2,940,286)	(429,272)	(3,369,558)
Compliance fees	-	487,700	487,700
Debt service	(153,600)	(66,400)	(220,000)
Debt service fees	403,716	-	403,716
Note payable payments	-	(18,738)	(18,738)
Interest payments	(129,718)	(50,119)	(179,837)
Other	-	67,883	67,883
Regional storm water study	(2,586)	-	(2,586)
Tap fees received	62,220	91,540	153,760
Net cash from capital and related financing activities	(2,760,254)	82,594	(2,677,660)
Cash flows from investing activities			
Interest income	11,133	6,628	17,761
Investment proceeds	2,406,162	-	2,406,162
Net cash from investing activities	2,417,295	6,628	2,423,923
Change in cash and cash equivalents	208,165	16,565	224,730
Cash and cash equivalents - beginning of year	3,023,271	1,707,720	4,730,991
Cash and cash equivalents - end of year	\$ 3,231,436	\$ 1,724,285	\$ 4,955,721
Reconciliation of operating income to net cash from operating activities			
Operating income (loss)	\$ 67,770	\$ (318,368)	\$ (250,598)
Adjustments to reconcile to net cash from operating activities:			
Bad debt	5,271	2,391	7,662
Depreciation	156,395	421,053	577,448
Change in:			
Accounts receivable	156,483	(381)	156,102
Inventories	(46,565)	(67,883)	(114,448)
Accounts payable	94,888	(11,756)	83,132
Accrued wages and compensated absences	2,363	(177)	2,186
Net cash from operating activities	\$ 436,605	\$ 24,879	\$ 461,484
Supplemental disclosure			
Capital contribution related to water line loop and connection fees	\$ -	\$ 18,737	\$ 18,737

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

Town of Smithfield, Virginia

Notes to Basic Financial Statements

June 30, 2011

Town of Smithfield, Virginia

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

The financial statements presented for the *Town of Smithfield, Virginia* (Town) are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies:

A. Reporting Entity

The Town's financial statements present the Town (primary government) as required by accounting principles generally accepted in the United States of America as prescribed by GASB. The financial reporting entity consists of a primary government and any legally separate organization (component unit) for which the primary government is financially accountable. Financial accountability is defined as the ability to appoint the component unit's governing board, the component unit's fiscal dependence upon the primary government, and the potential that exclusion of such a component unit would result in misleading financial reporting. As such, the Town reports no separate and discretely presented component units in the Town's reporting entity.

B. Government-Wide and Fund Financial Statements

The basic financial statements are comprised of both government-wide and fund financial statements. There are two basic government-wide statements, the statement of net assets and the statement of activities, which report information on all of the nonfiduciary activities of the Town. These two statements report governmental activities, which are normally supported by taxes and intergovernmental revenue, separately from business-type activities, which rely primarily on fees and charges for services. Fiduciary activities are not reported in the government-wide statements because the resources are not available to support government programs. In addition to separately presenting business-type activities and governmental activities, the government-wide financial statements present a consolidated total column for the primary government. The government-wide financial statements are consolidated; therefore the effect of interfund activity has been removed from these statements.

The statement of activities presents a comparison between direct expenses and program revenue for each major function/program of the Town's governmental activities and for the different business-type activities of the Town. Direct expenses are those that are specifically associated with a function or segment. Program revenue includes a) fees, fines and charges paid by the recipients of goods or services offered by the function or segment and b) grants and contributions that are restricted to meet the operating or capital requirements of a particular function or segment. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

The fund financial statements present information about the Town's funds. Separate financial statements are provided for the governmental funds and the proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each major fund displayed in a separate column.

For the year ending June 30, 2011, the Town implemented the following statement of financial accounting standards issued by the GASB:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

This Statement establishes fund balance classifications, based primarily on the extent to which the Town is bound to honor constraints on the use of the resources reported in each governmental fund and additional note disclosures regarding fund balance classification policies and procedures.

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

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus attempts to match revenue and related costs. Accordingly, all of the Town's assets and liabilities, including capital assets, infrastructure assets and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. The accrual basis of accounting recognizes revenue as it is earned and recognizes expenses when a liability is incurred. Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated except those representing balances between the governmental activities and the business-type activities. These inter-activity balances are presented as internal balances and are eliminated in the total primary government column.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenue, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The current financial resources measurement focus does not attempt to match revenue and related costs; instead the focus is on increases and decreases in current financial resources. The modified accrual basis of accounting recognizes revenue it is when measurable and available. That is, revenue is recognized to the degree they are available to finance expenditures of the current fiscal period. Generally, revenue is considered available to be used to pay liabilities of the current period if they are collected within the current period or within 45 days thereafter.

Real and personal property taxes are recorded as revenue and receivables when levied and billed, net of allowances for uncollectible accounts. Property taxes levied but not collected within 45 days after year end are reflected as deferred revenue. Sales and utility taxes, which are collected by the state or the utilities and subsequently remitted to the Town, are recognized as revenue and receivables upon collection by the state or the utility, which is generally one month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or when related eligible expenditures are incurred. Revenue from general-purpose grants is recognized in the period to which the grant applies.

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Interest on long-term debt is recognized when due, except for interest due on July 1, which is accrued, as of June 30.

The Town reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund - The Special Revenue Fund accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds.

The Town reports the following proprietary funds:

Water and Sewer Funds - The Water and Sewer Funds account for water and sewer operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is for the cost of providing these services to be financed or recovered through user charges.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments (including restricted assets) with an original purchase maturity of three months or less. In addition, cash and cash equivalents include a certificate of deposit stated at cost which approximates market.

Investments

Investments are reported at fair value at June 30, 2011, which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. Interest income is recognized when earned.

Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes was \$201,904 at June 30, 2011. Customer accounts receivable in the Proprietary Funds are considered to be fully collectible.

Inventories

Inventories consist of water and sewer parts and materials which are stated at cost using the first-in, first-out method.

Capital Assets

Capital assets are defined by the Town as any asset or group of assets with a useful life in excess of three years and an acquisition cost of at least \$5,000. Capital assets, which include property, plant and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets purchased or constructed are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at fair value at the date of donation. Capital assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Art	15 years
Buildings	50 years
Equipment, furniture and fixtures	10 - 30 years
Infrastructure	30 - 65 years
Land improvements	5 - 20 years

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. In the governmental funds of the fund financial statements, the cost of vacation and sick leave is only recognized when payments are made to employees. However, in the government-wide financial statements, the cost of accumulated accrued vacation and sick leave benefits, representing the Town's commitment to fund such vested amounts from future operations has been accrued as a noncurrent liability. In the proprietary funds, the amount of such compensated absences is recognized in full as vested amounts are earned.

Deferred Revenue

Deferred revenue represents amounts for which, under the modified accrual basis of accounting, asset recognition criteria have been met, but for which revenue recognition criteria have not been met (i.e., such amounts are measurable, but not available). At June 30, 2011, deferred revenue in the governmental funds totaled \$70,221, which represents uncollected tax billings, net of allowance for doubtful accounts, not available for funding of current expenditures.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

Governmental fund equity is classified as fund balance. Fund balances are reported according to the following categories:

- *Nonspendable* - Amounts that cannot be spent because of their nature (such as the Town's inventory) and amounts that must be maintained intact legally or contractually.
- *Restricted* - Amounts constrained to specific purposes by externally enforceable legal restrictions (such as bond covenants).
- *Committed* - Amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Town Council, before the close of the fiscal year.
- *Assigned* - Includes the intended use of resources established by the governing body itself or by an official delegated by the governing body. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not nonspendable, restricted or committed.
- *Unassigned* - Includes all spendable amounts not contained in other classification. The general fund is the only fund that would report a positive amount in unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide statements. When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Property Taxes

Real property is assessed at its value on July 1st. Real estate taxes are payable December 5th. Personal property is assessed at its value on January 1st; the property taxes attach as an enforceable lien on property as of January 1st and are payable December 5th.

Credit Risk

The Town's largest taxpayers are Smithfield Foods, Inc., Smithfield Packing, Gwaltney of Smithfield, Inc., including related entities, and Cypress Creek Development Co., LLC. The assessed value of the aforementioned taxpayers' real and personal property comprises approximately 8.32% and 59.98%, respectively, of the Town's tax base.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenditures and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through February 29, 2012, the date the financial statements were available to be issued.

2. Deposits and Investments

Deposits and investments consist of cash on deposit, cash on hand, certificates of deposit, and a money market fund. Included in cash and cash equivalents on the statement of net assets is a certificate of deposit of \$504,229 with an original purchased maturity of three months. Included in investments on the statement of net assets are two certificates of deposit of \$55,832 with maturity periods greater than three months. The deposits and investments held and reported at fair value are as follows:

Deposits

Demand deposits - restricted	\$ 3,845,572
Demand deposits - unrestricted	4,997,872
Cash on hand	2,025

Investments

Certificates of deposit - maturities greater than three months	55,832
Investment held for Water Treatment Plant Development	364,141

Total deposits and investments	\$ 9,265,442
---------------------------------------	---------------------

Reconciliation to Statement of Net Assets

Cash and cash equivalents - unrestricted	\$ 4,999,897
Cash and cash equivalents - restricted	3,845,572
Investments - restricted	399,939
Investments - unrestricted	20,034
	<u>\$ 9,265,442</u>

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 does not have a formal policy for custodial credit risk other than those policies in the Code of Virginia.

At June 30, 2011, the carrying value of the deposits with banks and other financial institutes was \$9,263,417, and the bank balance was \$9,457,602. The difference between the carrying value of bank deposits and the bank balance is primarily due to outstanding checks and deposits in transit. The entire bank balance was fully insured by depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. All investments, evidenced by individual securities, are registered in the name of the Town.

Investment Credit Risk

The Town has no investment policy that limits its investment choices other than the limitations of the Code of Virginia. The following investments are allowed under the Code:

1. Direct obligations of the U.S. government, its agencies, and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the state is pledged;

2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;
3. With certain limitations, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements;
4. Municipal obligations, bond or revenue anticipation notes; money judgments; or bond or revenue anticipation notes of public trusts whose beneficiary is a Town, municipality, or school district; and
5. Money market funds regulated by the Securities and Exchange Commission (SEC) in which investments consist of the investments mentioned in points 1., 2., 3., and 4.

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the Town's debt type investments to this risk, using the segmented time distribution model is as follows:

	Fair Value	Less than One year	1 - 5 Years
Money market	\$ 364,141	\$ 364,141	\$ -

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. At June 30, 2011, the Town had no concentration of credit risk.

3. Due From/To Other Governments

Details of amounts due from/to other governments are as follows:

	Governmental Activities	
	Due From	Due To
County of Isle of Wight	\$ 56,619	\$ 54,016
Commonwealth of Virginia	55,815	651
Federal grants	338,091	-
	<u>\$ 450,525</u>	<u>\$ 54,667</u>
	Business-type Activities	
	Due From	Due To
County of Isle of Wight	\$ 756	\$ -

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

4. 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, 2011, the balances are as follows:

	Interfund Receivable	Interfund Payable
Fund		
General	\$ 635,455	\$ 234,681
Special Revenue	226,572	2,002
Capital Projects	8,151	107
Enterprise Funds		
Water	2,002	478,587
Sewer	180,561	337,364
	<u>\$ 1,052,741</u>	<u>\$ 1,052,741</u>

5. Capital Assets

The following is a summary of changes in capital assets:

<u>Primary Government</u>	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Government Activities				
Capital assets not being depreciated				
Land	\$ 7,319,885	\$ 380,700	\$ -	\$ 7,700,585
Construction in progress	384,480	814,137	2,960	1,195,657
Total capital assets not being depreciated	<u>7,704,365</u>	<u>1,194,837</u>	<u>2,960</u>	<u>8,896,242</u>
Capital assets being depreciated				
Art	107,929	-	-	107,929
Buildings	4,594,157	1,101,239	356,029	5,339,367
Equipment	825,554	48,039	-	873,593
Infrastructure	4,928,711	7,702	-	4,936,413
Land improvements	1,328,878	-	-	1,328,878
Vehicles	1,035,978	97,877	26,448	1,107,407
Total capital assets being depreciated	<u>12,821,207</u>	<u>1,254,857</u>	<u>382,477</u>	<u>13,693,587</u>
Less - accumulated depreciation				
Art	95,324	2,775	-	98,099
Buildings	842,189	94,607	2,108	934,688
Equipment	557,627	41,733	-	599,360
Infrastructure	1,945,369	179,132	-	2,124,501
Land improvements	427,576	48,120	-	475,696
Vehicles	799,597	88,036	24,464	863,169
Total accumulated depreciation	<u>4,667,682</u>	<u>454,403</u>	<u>26,572</u>	<u>5,095,513</u>
Total capital assets being depreciated - net	<u>8,153,525</u>	<u>800,454</u>	<u>355,905</u>	<u>8,598,074</u>
Government activities capital assets - net	<u>\$ 15,857,890</u>	<u>\$ 1,995,291</u>	<u>\$ 358,865</u>	<u>\$ 17,494,316</u>

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Business-type activities				
Capital assets not being depreciated				
Land	\$ 204,481	\$ -	\$ -	\$ 204,481
Construction in progress	1,016,857	3,873,287	23,075	4,867,069
Total capital assets not being depreciated	1,221,338	3,873,287	23,075	5,071,550
Capital assets being depreciated				
Buildings	7,827,142	-	-	7,827,142
Equipment	2,566,994	132,250	-	2,699,244
Infrastructure	9,192,756	-	-	9,192,756
Land improvements	17,591	-	-	17,591
Vehicles	173,894	135,837	12,877	296,854
Total capital assets being depreciated	19,778,377	268,087	12,877	20,033,587
Less - accumulated depreciation				
Buildings	1,424,039	162,884	-	1,586,923
Equipment	1,015,400	118,546	-	1,133,946
Infrastructure	5,544,016	265,034	-	5,809,050
Land improvements	2,091	880	-	2,971
Vehicles	92,899	30,104	-	123,003
Total accumulated depreciation	8,078,445	577,448	-	8,655,893
Total capital assets being depreciated - net	11,699,932	(309,361)	12,877	11,377,694
Business-type activities capital assets - net	<u>\$ 12,921,270</u>	<u>\$ 3,563,926</u>	<u>\$ 35,952</u>	<u>\$ 16,449,244</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
General government administration	\$ 99,364
Community development	14,047
Cultural and recreational	147,351
Public buildings	28,802
Public safety	100,858
Public works	63,981
Total depreciation expense - governmental activities	<u>\$ 454,403</u>
Business-type activities	
Water Fund	\$ 156,395
Sewer Fund	421,053
Total depreciation expense - business-type activities	<u>\$ 577,448</u>

Construction Commitments

Project	Spent-to-date	Remaining Commitment
John Rolfe Drive Right Turn Lane	\$ 25,807	\$ 95,000
Pinewood Heights Relocation	1,451,326	410,000
Police Building Renovations SSO Consent Order:	44,420	185,000
- MOM Program Development - Phase 2	103,635	1,365
- Annual Report Development	10,750	14,250
- Locality HRSD	130,950	19,050
- Manhole Rehabilitation	26,945	4,570
- SCADA Consent Order	7,560	148,000
- SSES/Task 2 Pump station Inspections	6,738	31,763
- SSES/Task 3 Ford Main Field Inspections	7,308	10,692
- SSES/Task 4 Smoke Testing	23,328	672
- SSES/Task 5 Manhole Inspections	68,320	1,680
- SSES/Task 6 Pump Run Time Analysis	6,532	6,968
- SSES/Task 7 Office Coordination	33,331	5,069
- SSES/Task 8 Data Analysis & Condition	5,695	61,305
South Church Street Enhancement	1,090,893	2,500,000
Town Manager Building Renovations	32,882	91,000
Waterline Replacement	274,494	125,506
Water Treatment/Fluoride RO Plant	4,080,396	1,919,600
Total	\$ 7,431,310	\$ 5,631,490

6. Line of Credit

In 2011, the Town renewed an agreement with TowneBank for a line of credit of \$500,000 in order to assist the Town in financing the purchase of properties under the Pinewood Heights Project. Borrowings bear interest at LIBOR or *Wall Street Journal* Prime Rate (depending on which is most advantageous to the Town at the time of borrowing) but at no time will the interest rate be lower than 3.25%. At June 30, 2011, the interest rate being charged to the Town was 3.25%. The unsecured line expires in May 2012, at which time any balance will be due in full.

The following is a summary of changes in the line of credit:

Balance, July 1, 2010	\$ 104,092
Increases	-
Decreases	104,092
Balance, June 30, 2011	<u>\$ -</u>

7. Noncurrent Liabilities

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

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Governmental Activities					
General obligation debt	\$ -	\$ 638,907	\$ -	\$ 638,907	\$ 18,255
Capital leases	6,246	-	6,246	-	-
Compensated absences	148,882	48,920	42,407	155,396	52,089
Total Governmental activities	\$ 155,128	\$ 687,827	\$ 48,653	\$ 794,303	\$ 70,344
Business-type Activities					
General obligation debt	\$ 4,355,000	\$ -	\$ 220,000	\$ 4,135,000	\$ 230,000
Accrued interest	66,977	64,130	66,977	64,130	64,130
Note payable	115,508	-	18,738	96,770	19,689
Compensated absences	30,036	6,000	5,624	30,412	9,484
Total Business-type Activities	\$ 4,567,521	\$ 70,130	\$ 311,339	\$ 4,326,312	\$ 323,303

A. General Obligation Debt

In June 2004, the primary government issued General Obligation Refunding Bonds of \$1,745,000 at a premium of \$29,270, with interest calculated at 2.8% to 5% per annum. Principal payments are being made in annual installments (\$80,000 in FY2011) and interest payments are being made in semi-annual installments. The premium is amortized over five years and netted against the related debt; this premium was fully amortized at June 30, 2011. The bonds were issued for the purpose of refunding \$1,742,322 of outstanding 1983 Series Water and Sewer Bonds. As a result, \$1,742,322 of the 1983 Series Bonds are considered to be defeased and the liability for these bonds has been removed from the General Obligation Bonds outstanding. The defeasance resulted in a reduction of total debt service payments over the remaining life of the bond of \$66,702. At June 30, 2011, the balance of the bond payable was \$1,235,000.

In September 2011, the primary government issued Taxable General Obligation Bond of \$638,907 pursuant to a sales contract entered into with the County of Isle of Wight in February 2011. Principal payments are being made in eight annual installments beginning January 2012 with a balloon payment of \$489,553 due no later than December 2019. Interest is calculated at 4% to 5.50% per annum and made in semiannual installments, which began in February 2011. The bonds were issued for the purpose of providing funds for various public improvement projects, including but not limited to, the acquisition of land for public safety and administration offices. At June 30, 2011, the balance of the bond payable was \$638,907 and related interest expense was \$52,805.

B. Revenue Bonds

In July 2005, the Town received proceeds of \$3,570,000 as part of a pooled Series 2005 bond as issued by the Industrial Development Authority of the Town of Stafford and City of Staunton, Virginia. The purpose of the issue is to provide funds for qualifying projects undertaken by or on behalf of political subdivisions or other governmental units of the Commonwealth of Virginia. The Town's intended use is for water improvement systems. The proceeds were placed in a money market fund from which the Town draws down for project expenses. The money market serves as collateral for which interest did not accrue as of June 30, 2011. Repayment of the proceeds began February 2006 (and is to be paid in semi-annual installments through August 2025 with an interest rate ranging between 3.25% and 4.375%). The bond is maintained within the water enterprise fund. At June 30, 2011, the balance of the bond payable was \$2,900,000.

Maturities of General Obligation and Revenue Bonds, including future interest payments are as follows:

Fiscal Year Ending June, 30	Business-type Activities	
	Principal	Interest
2012	\$ 248,253	\$ 204,696
2013	254,914	195,309
2014	264,914	185,206
2015	281,574	174,383
2016	291,574	162,804
2017-2021	2,067,678	543,045
2022-2026	1,365,000	136,626
	<u>\$ 4,773,907</u>	<u>\$ 1,602,069</u>

C. Note Payable

The Town has a note payable to the Virginia Revolving Loan Fund for \$300,000, dated May 1, 1997, with interest at 5% and semi-annual installments of \$12,143, including principal and interest. Smithfield Foods, Inc. has agreed to guarantee repayment of funds borrowed from the Virginia Revolving Loan Fund and will, therefore, pay the Town of Smithfield annually a sum equal to the principal and interest payments required by terms of the agreement; these payments are being recognized as a capital contribution.

The following is a summary of the repayment schedule for future years:

	Principal	Interest
2012	\$ 19,698	\$ 4,597
2013	20,686	3,600
2014	21,733	2,552
2015	22,833	1,452
2016	11,820	296
	<u>\$ 96,770</u>	<u>\$ 12,497</u>

D. Capital Leases

In 2006, the Town entered into two capital lease agreements for generators. The generators are included in capital assets at June 30, 2011 at a gross carrying cost of \$71,880, net of depreciation of \$19,589. During FY 2011, both leases matured.

E. 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 termination, 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, 2011, accumulated vacation and sick leave for the government funds amounted to \$155,397 of which \$103,307 is long-term.

At June 30, 2011, accumulated vacation and sick leave for the proprietary funds amounted to \$30,412 of which \$20,928 is long-term.

8. Defined Benefit Pension Plan

(a) Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost Sharing, Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010, and who have service credits before July 1, 2010, are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010, and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 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. These members include sheriffs, deputy sheriffs, local law enforcement officers, and firefighters. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for all employees is 1.70%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

In addition, retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2, the COLA cannot exceed 6%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of that report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

(b) Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution, as the Town does. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2011 was 5.57% of annual covered payroll.

(c) Annual Pension Cost

For fiscal year 2011, the Town's annual pension cost of \$247,346 was equal to the Town's required and actual contributions.

Three-Year Trend Information for the Town:

Fiscal year ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 232,770	100%	\$ -
June 30, 2010	223,640	100%	-
June 30, 2011	247,346	100%	-

The FY 2011 required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009, included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.5% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and, (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

(d) Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 96.30% funded. The actuarial accrued liability for benefits was \$5,504,342, and the actuarial value of assets was \$5,300,600 resulting in an unfunded actuarial accrued liability (UAAL) of \$203,742. The covered payroll (annual payroll of active employees covered by the plan) was \$2,293,514, and ratio of the UAAL to the covered payroll was (8.88%).

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. Contingent Liabilities

Federal Programs

The federal programs in which the Town participates were audited in accordance with provisions of *Government Auditing Standards*, issued by the Comptroller General of the United States. While no matters of noncompliance were disclosed by the audit, the federal government may subject grant programs to additional compliance tests that may result in disallowed expenditures. In the opinion of the Town's management, any future disallowances of current grant program expenditures, if any, would be immaterial to its financial position.

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.

10. Restricted Net Assets

Restricted net assets are limitations imposed by the Town Council through approval of resolutions. Total restricted net assets are as follows:

Business Type Funds

Sewer Fund

Debt service fees

\$ 1,440,224

11. 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, 2011, the Town's aggregate general obligation indebtedness was \$104,175,033 less than the Commonwealth of Virginia's limit.

12. 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.

13. Commitment

On February 6, 2007, the Smithfield Town Council voted to accept a contract offer from the Virginia Department of Housing and Community Development (DHCD) for the Pinewood Heights Phase I Redevelopment Project (CDBG #06-21). The purpose of this Community Improvement Grant is to improve the living conditions of 32 households in the Pinewood Heights neighborhood through acquisition, permanent relocation assistance, demolition and clearance. This project is to be accomplished in two phases over a probable ten year period. Phase I was divided into multi-year 1 and multi-year 2. The contract funding for Phase I multi-year 1 was \$800,000 and required relocation of 16 households. Upon completion of Phase I multi-year 1, the Town had the option to apply for Phase 1 multi-year 2 funds totaling \$600,000 for relocation of the remaining 16 households. The Town agreed to \$1,868,000 in leverage funds for the grantee share of the project. In order to finance its contribution towards the projects without raising real estate or personal property taxes, the Town Council voted in January 2007 to raise the meals tax rate 1%. Also, in April 2007, the Town entered into a Memorandum of Understanding with Isle of Wight County in which the Town agreed to in kind, cash or land commitment of \$750,000 towards the project. Additionally, the Town has discussed the possible delivery of 6 houses valued at a total of \$750,000 in a partnership with Habitat for Humanity.

A final close out review for Phase I multi-year 1 was held on September 1 and 2, 2010. A request was later made and approved for an extension of the contract termination date to April 30, 2011. Whereas all CDBG funds were expended prior to the previously approved April 30, 2010 contract deadline, this time extension was based largely on the time taken to schedule the final compliance review, administratively close-out the Multi-Year 1 contract, and draw down the remaining 5% retainage. Approval was received on the extension on April 22, 2011. On May 6, 2011, the Town also received approval of its conditional close out contingent upon receipt of an acceptable FY2011 audit report. Final draw down funds of \$40,000 were received on May 10, 2011.

The contract for MY2 was executed on May 24, 2010 and extends until May 23, 2012. As of June 30, 2011, 11 of 16 properties have been purchased. The final owner acquisition was completed on July 18, 2012. Of the remaining 4 properties, 2 are scheduled to close in early December 2012 and 1 has given acceptance of intent to sell. The remaining property is heir owned and the Town is working with the Town Attorney on notifying all heirs and proving ownership. All grant funds have been expended and reimbursed except for \$71,000 which is allocated to the final owner acquisition. A draw down request for this remaining amount was submitted with final close out reports but has not yet been received. A final close out review was held on August 2, 2011 and on September 12, 2011 the Town received notice that Phase I MY2 was administratively closed out pending receipt of an acceptable FY2012 audit. As of the final close out reports submitted on September 30, 2011, the Town had exceeded its leverage requirement by \$87,918. This amount will increase with the purchase/relocation of the final 3 landlord owned properties.

A planning grant for \$25,000 was awarded in FY2011 for preliminary work on Phase II of the Pinewood Heights project. The planning grant work has been completed and closed out as of May 27, 2011. In a release issued from Governor McDonald's office on June 28, 2011, the Town received notice that it has been approved for \$1,000,000 in multi-year funding for Phase II; however, no contract has been signed as of this date.

14. Subsequent Event

In August 2011, the Town purchased a bond through the Virginia Municipal League at 100 percent of par for a total of \$773,266. The bond will be paid in semiannual installments over a five year period, including principal and interest, beginning February 2012. Interest accrues at a rate of 3.45% per annum. Proceeds of \$400,000 will fund the water line replacement on South Church Street and the remaining balance will be used for continued construction of the Reverse Osmosis Plant.

* * * * *

Town of Smithfield, Virginia

***Required Supplementary Information
Other than Management's Discussion and Analysis***

June 30, 2011

General Fund**Schedule of Revenue and Expenditures - Budget and Actual****Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue				
Revenue from local sources				
General property taxes	\$ 2,535,500	\$ 2,590,000	\$ 2,643,265	\$ 53,265
Penalties	21,600	21,325	25,981	4,656
Interest	6,200	10,975	11,945	970
Total revenue from local sources	2,563,300	2,622,300	2,681,191	58,891
Other local taxes				
Cigarette	130,000	130,000	132,698	2,698
Communications	240,000	258,000	246,609	(11,391)
Franchise	119,000	137,620	144,489	6,869
Meals	965,000	970,000	964,514	(5,486)
Sales and use	258,000	258,000	263,813	5,813
Transient	128,000	128,000	127,484	(516)
Utility and consumption	246,000	251,000	249,757	(1,243)
Total other local taxes	2,086,000	2,132,620	2,129,364	(3,256)
Licenses, permits and privilege fees				
Business privilege licenses	349,800	338,800	285,279	(53,521)
Miscellaneous permits and licenses	31,500	16,925	17,066	141
Vehicle licenses	114,000	130,025	139,083	9,058
Total licenses, permits and privilege fees	495,300	485,750	441,428	(44,322)
Fines and forfeitures	63,000	71,000	68,017	(2,983)
Revenue from use of money and property				
Revenue from use of money	21,200	18,260	18,657	397
Revenue from use of property	310,500	207,436	154,468	(52,968)
Total revenue from use of money and property	331,700	225,696	173,125	(52,571)
Other revenue				
Miscellaneous	7,015	6,925	29,571	22,646
Total other revenue	7,015	6,925	29,571	22,646
Total revenue	5,546,315	5,544,291	5,522,696	(21,595)

General Fund**Schedule of Revenue and Expenditures - Budget and Actual****Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from Commonwealth of Virginia				
Noncategorical aid				
Fuel refund	7,500	7,000	7,637	637
Categorical aid				
Fire program	17,447	17,447	18,260	813
Law enforcement	167,400	167,400	167,412	12
Litter Control Grant	2,669	3,078	3,078	-
Traffic Safety Program	5,500	10,000	-	(10,000)
VCA Grant	5,000	5,000	5,000	-
VMG Safety Grant	-	990	991	1
Total categorical aid	198,016	203,915	194,741	(9,174)
Total revenue from Commonwealth of Virginia	205,516	210,915	202,378	(8,537)
Revenue from federal government				
Federal Block Grant	15,000	1,250	11,977	10,727
Federal fuel tax refund	8,000	8,000	6,437	(1,563)
Federal Grant - PD - ARRA - Police Vehicle	-	13,952	13,952	-
Federal Grant-T21 N&S Church St Grant Project	1,880,000	1,382,060	504,511	(877,549)
Pinewood Heights Relocation Grant	615,670	630,336	559,336	(71,000)
Total revenue from federal government	2,518,670	2,035,598	1,096,213	(939,385)
Other financing sources				
Contributions	1,108,060	504,300	228,716	(275,584)
Line of credit proceeds	500,000	-	-	-
Insurance recoveries	-	10,580	9,219	(1,361)
Proceeds from long-term debt	554,000	934,345	638,907	(295,438)
Total other financing sources	2,162,060	1,449,225	876,842	(572,383)
Total General Fund revenues	\$ 10,432,561	\$ 9,240,029	\$ 7,698,129	\$ (1,541,900)

General Fund
Schedule of Revenue and Expenditures - Budget and Actual

Year Ended June 30, 2011

Expenditures	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government administration				
Town Council/Manager	\$ 489,937	\$ 477,395	\$ 473,123	\$ 4,272
Treasurer	329,005	309,675	300,873	8,802
Total general government administration	818,942	787,070	773,996	13,074
Public Safety				
Police Department	2,155,950	2,176,935	2,157,621	19,314
Fire Department	144,110	142,797	111,231	31,566
Rescue Squad	105,000	105,000	105,000	-
E-911 Dispatch	61,470	61,470	71,973	(10,503)
Total Public Safety	2,466,530	2,486,202	2,445,825	40,377
Public Buildings				
General buildings	933,735	1,196,525	890,278	306,247
Public Works				
General maintenance	2,794,499	2,797,191	1,495,022	1,302,169
Cultural and Recreation				
Clontz Park	3,500	3,500	3,138	362
Farmers Market	3,000	3,000	3,000	-
Fireworks	2,000	2,000	2,000	-
Fishing Pier	600	600	106	494
Hampton Roads Film	1,960	1,960	1,960	-
Isle of Wight Arts League	10,000	10,000	10,000	-
Ivy Hill Cemetery	-	-	1,350	(1,350)
Playgrounds	1,000	1,000	1,000	-
Regional Library	36,000	36,000	36,000	-
Smithfield Center	564,049	565,209	587,320	(22,111)
Waterworks Dam	-	10,500	8,202	2,298
Windsor Castle Park	110,000	218,500	212,620	5,880
Total Parks, Recreation and Cultural	732,109	852,269	866,696	(14,427)
Community Development				
APVA Courthouse	5,000	5,000	5,000	-
Chamber of Commerce	6,000	6,000	6,000	-
Christian Outreach	3,000	3,000	3,000	-
Genieve Shelter	9,000	9,000	9,000	-
Historic Smithfield	-	10,000	10,000	-
Pinewood Heights	1,097,551	1,601,052	913,380	687,672
T.R.I.A.D	1,650	1,650	1,650	-
Tourism Bureau	208,112	208,112	208,112	-
Western Tidewater Free Clinic	15,000	15,000	15,000	-
Y.M.C.A Project	50,000	50,000	50,000	-
Total Community Development	1,395,313	1,908,814	1,221,142	687,672
Debt service				
Debt retirement	603,569	6,269	6,246	23
Interest and fiscal charges	41,598	61,734	57,712	4,022
Total debt service	645,167	68,003	63,958	4,045
Total General Fund expenditures	9,786,295	10,096,074	7,756,917	2,339,157
Excess of revenue and other financing sources over (under) expenditures and other financing uses	646,266	(856,045)	(58,788)	797,257
Fund balance - beginning of year	3,009,743	3,643,751	4,061,321	417,570
Fund balance - end of year	\$ 3,656,009	\$ 2,787,706	\$ 4,002,533	\$ 1,214,827

Special Revenue Fund**Schedule of Revenue and Expenditures - Budget and Actual****Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue				
Revenue from use of money	\$ 300	\$ 250	\$ 258	\$ 8
Revenue from Commonwealth of Virginia				
Street and highway maintenance	917,825	951,305	951,305	-
Total revenue from Commonwealth of Virginia	917,825	951,305	951,305	-
Total revenue and other financing sources	918,125	951,555	951,563	8
Expenditures				
Highway maintenance	918,125	978,848	813,645	165,203
Excess of revenue and other financing sources over (under) expenditures and other financing uses	-	(27,293)	137,918	(165,195)
Fund balance - beginning of year	119,235	(17,676)	9,618	27,294
Fund balance - end of year	\$ 119,235	\$ (44,969)	\$ 147,536	\$ (137,901)

Schedule of Funding Progress for Defined Benefit Pension Plan

Year Ended June 30, 2011						
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Over (under) funded Actuarial Accrued Liability	Ratio Funded	Covered Payroll	Over (under) funded Actuarial Liability as a Percentage of Covered Payroll
June 30, 2010	\$ 5,300,600	\$ 5,504,342	\$ (203,742)	96.30%	\$ 2,293,514	(8.88)%
June 30, 2009	\$ 5,275,119	\$ 4,915,933	\$ 359,186	107.31%	\$ 2,297,375	15.63%
June 30, 2008	\$ 5,020,166	\$ 4,591,675	\$ 428,491	109.33%	\$ 2,223,680	19.27%

Town of Smithfield, Virginia

Notes to Required Supplementary Information

June 30, 2011

*Town of Smithfield, Virginia**Notes to Required Supplementary Information***June 30, 2011**

1. Budgets and Budgetary Accounting

- A. The Town Manager, in conjunction with the Finance Committee, submits a proposed operating and capital budget to the Town Council prior to June 30 of each year. The operating and capital budgets include proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain citizen comments.
- C. Prior to June 30, the budget is legally enacted through Council vote.
- D. The Town Manager is authorized to transfer budgeted amounts between line items within a department without prior approval from the Town Council.
- E. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- F. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- G. The primary government does not have any fund balances considered to be restricted.

2. Legally Adopted Budgets

The general, special revenue, capital projects, and proprietary funds have legally adopted annual budgets.

3. Comparison

The General Fund revenue and other financing sources were under budget by approximately \$1.5 million for the fiscal year ended June 30, 2011. This is primarily due to the budgeted grant revenue related to South Church Street project. Budget reflects total expected proceeds over the duration of the project. The General Fund expenditures were under budget by approximately \$2.3 million for the fiscal year ended June 30, 2011. This is primarily due to the Pinewood Heights Project Heights project not progressing as quickly as anticipated (Note 13) as well as spending constraints due to slowing economy.

Town of Smithfield, Virginia

Compliance Section

June 30, 2011

***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***

Honorable Mayor and Members of Town Council
Town of Smithfield, Virginia

We have audited the 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, 2011, which collectively comprise the ***Town of Smithfield, Virginia's*** basic financial statements and have issued our report thereon dated February 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ***Town of Smithfield, Virginia's*** internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ***Town of Smithfield, Virginia's*** internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Town Council, ***Town of Smithfield, Virginia's*** management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Newport News, Virginia
February 29, 2012

***Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133***

Honorable Mayor and Members of Town Council
Town of Smithfield, Virginia

Compliance

We have audited the compliance of the ***Town of Smithfield, Virginia*** with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the ***Town of Smithfield, Virginia's*** major federal program for the year ended June 30, 2011. The ***Town of Smithfield, Virginia's*** major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the ***Town of Smithfield, Virginia's*** management. Our responsibility is to express an opinion on the ***Town of Smithfield, Virginia's*** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ***Town of Smithfield, Virginia's*** compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the ***Town of Smithfield, Virginia's*** compliance with those requirements.

In our opinion, the ***Town of Smithfield, Virginia*** complied, in all material respects, with the requirements referred to above that could have a direct and material effect on to its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the ***Town of Smithfield, Virginia*** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the ***Town of Smithfield, Virginia's*** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the ***Town of Smithfield, Virginia's*** internal control over compliance.

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

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

This report is intended solely for the information and use of the ***Town of Smithfield, Virginia***'s Town Council, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Newport News, Virginia
February 29, 2012

***Report of Independent Auditors on Compliance
with Commonwealth of Virginia Laws,
Regulations, Contracts and Grants***

Honorable Mayor and Members of Town Council
Town of Smithfield, Virginia

We have audited the basic financial statements of the ***Town of Smithfield, Virginia*** as of and for the year ended June 30, 2011, and have issued our report thereon dated February 29, 2012.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the ***Town of Smithfield, Virginia*** is the responsibility of management of the ***Town of Smithfield, Virginia***. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the ***Town of Smithfield, Virginia***'s compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants. However, the objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property Act

State Agency Requirements

- Highway Maintenance Funds

The results of our tests disclosed one instance of noncompliance with the provisions referred to in the preceding paragraph. These instances are discussed in the Schedule of Findings and Questioned Costs as Findings 2011-01. With respect to items not tested, nothing came to our attention that caused us to believe that the *Town of Smithfield, Virginia* had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of Town Council, *Town of Smithfield, Virginia* management and all applicable state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Newport News, Virginia
February 29, 2012

Schedule of Expenditures of Federal Awards**Year Ended June 30, 2011**

Federal Grantor/State Pass Through Grantor/ Program Title (Pass-Through Grantor's Number)	Catalogue of Federal Domestic Assistance Number	Total Expenditures
Department of Housing and Urban Development		
Pass-through payments		
Department of Housing and Community Development:		
Comprehensive Community Development	14.228	\$ 406,000
Total Department of Housing and Urban Development		<u>406,000</u>
Department of Justice		
Pass-through payments		
Department of Criminal Justice Services		
Byrne Memorial Justice Assistance	16.738	1,248
Total Department of Justice		<u>1,248</u>
Department of Transportation		
Pass-through payments		
Department of Transportation		
Highway Safety - Selective Enforcement	20.607	10,730
Highway Planning and Construction	20.205	340,137
ARRA - Federal Aid Highway Program, Federal Lands Program	20.205	165,329
Total Department of Transportation		<u>516,196</u>
Total Expenditures of Federal Awards		<u>\$ 923,444</u>

*Town of Smithfield, Virginia**Notes to Schedule of Expenditures of Federal Awards*

Year Ended June 30, 2011

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the *Town of Smithfield, Virginia*. The *Town of Smithfield, Virginia*'s reporting entity is defined in Note 1 to the Town's basic financial statements.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

* * * * *

*Town of Smithfield, Virginia**Schedule of Findings and Questioned Costs*

Year Ended June 30, 2011

1. Summary of Auditors' Results

- a) The auditor's report expresses an unqualified opinion on the financial statements of the Town.
- b) There were no significant deficiencies noted in internal control over financial reporting.
- c) No instances of noncompliance material to the financial statements of the Town, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.
- d) No significant deficiencies were noted during the audit of internal control over major federal programs.
- e) The auditor's report on compliance for the major federal programs of the Town expressed an unqualified opinion.
- f) The audit did not disclose any findings required to be reported under Section 510(a) of OMB Circular A-133.
- g) The major program is Highway Planning and Construction (CFDA No. 20.205)
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) The auditee qualifies as a low-risk auditee.

2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards.

None

3. Findings and Questioned Costs Related to Federal Programs

None

4. Findings and Questioned Costs Related to Commonwealth of Virginia Laws, Regulations, Contracts and Grants**Finding 2011-1**

Criteria: Chapter 3-5 Conflicts of Interest: The Act requires local government officials to file a statement of economic interests with the clerk of the governing body annually.

Condition: Three forms were not filed timely with the clerk. One form was filed with the clerk timely, but was incomplete. One form was never filed with the clerk.

*Town of Smithfield, Virginia**Schedule of Findings and Questioned Costs*

Year Ended June 30, 2011

Effect: The Town is not in compliance with the Commonwealth of Virginia State and Local Government Conflict of Interests Act.

Recommendation: Local officials submitting the form should review the instructions and complete the form as indicated in order to be in compliance with the State and Local Government Conflict of Interests Act.

Town Response: Management agrees with the auditor's response and will implement proper procedures.

5. Summary Schedule of Prior Year Audit Findings

Prior Year Federal Audit Findings

None

Prior Year State Findings

Finding 2010-1

Criteria: Chapter 3-3 Budget and Appropriation Laws: There must be sufficient cash in the bank at the time the Treasurer (or their designee) issues any check.

Condition: The Town over drafted one of its bank accounts due to the responsible party failing to notify the bank of a requested bank transfer.

Resolution: For the year ended June 30, 2011, procedures had been put into place to monitor transfers. This finding was not repeated in fiscal year 2011.

Finding 2010-2

Criteria: Chapter 3-5 Conflicts of Interest: The Act requires local government officials to file a statement of economic interests with the clerk of the governing body annually.

Condition: One form was not filed timely with the clerk.

Resolution: For the year ended June 30, 2011, this was a repeat finding.

Town of Smithfield, Virginia

Statistical Section

June 30, 2011

This page left blank intentionally

Net Assets by Component

Years Ended June 30,	2011	2010
Governmental activities		
Invested in capital assets - net of related debt	\$ 16,855,409	\$ 15,757,552
Restricted	-	1,526,185
Unrestricted	4,112,055	2,606,432
Total governmental activities net assets	\$ 20,967,464	\$ 19,890,169
Business-type activities		
Invested in capital assets - net of related debt	\$ 12,153,344	\$ 8,383,785
Restricted	1,440,224	4,399,841
Unrestricted	2,750,516	2,841,075
Total business-type activities net assets	\$ 16,344,084	\$ 15,624,701
Primary government		
Invested in capital assets - net of related debt	\$ 29,008,753	\$ 24,141,337
Restricted	1,440,224	5,926,026
Unrestricted	6,862,571	5,447,507
Total primary government net assets	\$ 37,311,548	\$ 35,514,870

Change in Net Assets

Years Ended June 30,	2011	2010
Expenses		
Governmental activities		
Community development	\$ 561,600	\$ 805,672
Cultural and recreation	770,902	563,380
Fire and rescue	290,605	317,701
General government	873,583	861,980
Interest on long-term debt	57,712	13,760
Library	36,000	36,000
Other public works	1,188,794	1,269,268
Police	2,163,081	2,099,283
Public buildings	186,364	188,126
Refuse collection	438,562	417,498
Total governmental activities expenses	6,567,203	6,572,668
Business-type activities		
Water	895,899	871,765
Sewer	1,078,458	985,978
Total business-type activities expenses	1,974,357	1,857,743
Total primary government expenses	\$ 8,541,560	\$ 8,430,411
Program revenue		
Governmental activities		
Charges for services		
Fines and costs	\$ 68,017	\$ 66,519
Cultural and recreation rentals	132,347	117,343
Licenses, permits, and privilege fees	441,428	493,636
Operating grants and contributions	1,287,831	1,182,407
Capital grants and contributions	1,202,583	2,548,708
Total governmental activities program revenues	3,132,206	4,408,613
Business-type activities		
Charges for services		
Water	1,299,332	1,432,182
Sewer	1,357,910	1,167,007
Capital grants and contributions	18,737	184,334
Total business-type activities program revenues	2,675,979	2,783,523
Total primary government program revenues	\$ 5,808,185	\$ 7,192,136

Change in Net Assets

Years Ended June 30,	2011	2010
Governmental activities	\$ (3,434,997)	\$ (2,164,055)
Business-type activities	701,622	925,780
Total primary government net expense	\$ (2,733,375)	\$ (1,238,275)
General revenues and other changes in net assets		
Governmental activities		
Taxes		
Property	\$ 2,670,808	\$ 2,707,054
Franchise	143,231	141,404
Sales	263,813	263,029
Other	1,722,320	1,704,845
Unrestricted grants and contributions	7,637	7,025
Loss on disposition of capital assets	(355,905)	(507,496)
Revenues from use of property and money	46,373	70,247
Miscellaneous	4,796	12,201
Other	9,219	12,551
Transfers	-	41,000
Total governmental activities	4,512,292	4,451,860
Business-type activities		
Investment earnings	17,761	32,527
Transfers	-	(41,000)
Total business-type activities	17,761	(8,473)
Total primary government	\$ 4,530,053	\$ 4,443,387
Change in net assets		
Governmental activities	\$ 1,077,295	\$ 2,287,805
Business-type activities	719,383	917,307
Total primary government	\$ 1,796,678	\$ 3,205,112

Fund Balances, Governmental Funds

Last Two Fiscal Years	2011	2010
General Fund		
Committed		
Unspent bond proceeds	\$ 638,907	\$ -
Grants	-	340,592
Nonspendable		
Prepays	-	32,446
Assigned		
Capital projects	1,174,566	1,218,075
Unassigned	2,189,060	2,470,208
Total general fund	<u>\$ 4,002,533</u>	<u>\$ 4,061,321</u>
All Other Governmental Funds		
Committed		
Special revenue fund	\$ 147,536	\$ 9,618
Capital project funds	8,107	8,107
Total all other governmental funds	<u>\$ 155,643</u>	<u>\$ 17,725</u>

Note: Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides clearer fund balance classifications that can be more consistently applied, was adopted by the Town as of July 1, 2010. The above table restates FY 2010 ending fund balances to comply with GASB 54 for comparison purposes.

General Governmental Expenditures by Function

Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Buildings and Works [1]	Cultural and Recreation	Community Development and Nondepartmental	Capital Projects	Debt Service Principal	Debt Service Interest and Issuance Costs	Total
2011	\$ 773,996	\$ 2,445,825	\$ 3,198,945	\$ 866,696	\$ 1,221,142	\$ -	\$ 6,246	\$ 57,712	\$ 8,570,562
2010	\$ 760,333	\$ 2,409,883	\$ 2,074,822	\$ 1,846,020	\$ 1,560,855	\$ -	\$ 215,373	\$ 13,746	\$ 8,881,032
2009	\$ 1,304,222	\$ 2,421,575	\$ 2,314,279	\$ 7,383,665	\$ 1,077,460	\$ -	\$ 222,188	\$ 15,041	\$14,738,430
2008	\$ 1,930,979	\$ 2,517,603	\$ 1,647,828	\$ 463,837	\$ 497,004	\$ -	\$ 302,883	\$ 23,588	\$ 7,383,722
2007	\$ 1,039,257	\$ 2,329,968	\$ 3,145,030	\$ 465,502	\$ 264,793	\$ -	\$ 340,195	\$ 33,486	\$ 7,618,231
2006	\$ 1,055,837	\$ 2,233,388	\$ 1,545,352	\$ 510,968	\$ 326,186	\$ 2,990	\$ 398,088	\$ 44,953	\$ 6,117,762
2005	\$ 940,534	\$ 1,896,000	\$ 491,075	\$ 449,931	\$ 292,906	\$ 1,028,566	\$ 391,879	\$ 57,431	\$ 5,548,322
2004	\$ 1,155,690	\$ 1,664,896	\$ 1,073,395	\$ 339,398	\$ 222,224	\$ 33,972	\$ 374,615	\$ 77,524	\$ 4,941,714
2003	\$ 940,031	\$ 1,781,219	\$ 892,912	\$ 237,873	\$ 95,959	\$ -	\$ 300,000	\$ 33,369	\$ 4,281,363
2002	\$ 830,469	\$ 1,748,812	\$ 1,006,097	\$ 282,138	\$ 665,318	\$ -	\$ 300,000	\$ 87,693	\$ 4,920,527

[1] Includes highway maintenance.

General Governmental Revenue 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	Program	From Commonwealth	From Federal Government	From County	Other	Total
2011	\$ 2,681,191	\$ 2,129,364	\$ 441,428	\$ 68,017	\$ 172,447	\$ 936	\$ 1,153,683	\$ 1,096,213	\$ 134,871	\$ 771,542	\$ 8,649,692
2010	\$ 2,675,489	\$ 2,109,278	\$ 493,636	\$ 66,519	\$ 182,370	\$ 5,220	\$ 1,166,576	\$ 411,184	\$ 396,312	\$ 1,829,820	\$ 9,336,404
2009	\$ 2,840,115	\$ 2,103,415	\$ 508,544	\$ 73,486	\$ 201,859	\$ 1,386	\$ 1,155,049	\$ 426,937	\$ 275,700	\$ 6,556,853	\$ 14,143,344
2008	\$ 2,450,120	\$ 2,014,067	\$ 562,925	\$ 71,222	\$ 275,518	\$ -	\$ 1,457,021	\$ 637,673	\$ -	\$ 45,850	\$ 7,514,396
2007	\$ 2,281,153	\$ 1,920,994	\$ 627,280	\$ 69,893	\$ 330,363	\$ 5,797	\$ 1,082,662	\$ 25,327	\$ -	\$ 256,728	\$ 6,600,197
2006	\$ 2,232,277	\$ 1,738,016	\$ 599,756	\$ 74,210	\$ 250,850	\$ 1,177	\$ 1,026,515	\$ 3,373	\$ -	\$ 72,527	\$ 5,998,701
2005	\$ 2,116,088	\$ 1,687,786	\$ 598,227	\$ 74,887	\$ 208,644	\$ -	\$ 1,012,629	\$ 50,147	\$ -	\$ 196,350	\$ 5,944,758
2004	\$ 1,798,142	\$ 1,654,705	\$ 517,661	\$ 62,293	\$ 144,037	\$ -	\$ 981,384	\$ 376,553	\$ -	\$ 114,845	\$ 5,649,620
2003	\$ 1,714,212	\$ 1,492,329	\$ 478,453	\$ 49,530	\$ 118,652	\$ 1,488	\$ 1,111,910	\$ 36,486	\$ (4,552)	\$ 158,372	\$ 5,156,880
2002	\$ 1,455,570	\$ 1,461,835	\$ 404,167	\$ 39,765	\$ 168,806	\$ 243	\$ 773,356	\$ 542,340	\$ 95,234	\$ 51,362	\$ 4,992,678

[1] Includes penalties.

Property Tax Rates

Last Ten Fiscal Years						
Fiscal Year	Real Estate	Personal Property	Boats	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
2011	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2010	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2009	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2008	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2007	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2006	\$.21/\$100	\$1/\$100 \$.21/\$100[1]	\$.25/\$100	\$.15/\$100	\$.21/\$100	\$1/\$100
2005	\$.21/\$100	\$1/\$100 \$.21/\$100[1]	\$.25/\$100	\$.15/\$100	\$.21/\$100	\$1/\$100
2004	\$.23/\$100	\$1/\$100 \$.23/\$100[1]	\$.25/\$100	\$.15/\$100	\$.23/\$100	\$1/\$100
2003	\$.23/\$100	\$1/\$100 \$.23/\$100[1]	\$.25/\$100	\$.15/\$100	\$.23/\$100	\$1/\$100
2002	\$.23/\$100	\$1/\$100 \$.23/\$100[1]	\$.25/\$100	\$.15/\$100	\$.23/\$100	\$1/\$100

[1] Mobile home rate.

Principal Taxpayers - Real Estate and Personal Property**June 30, 2011**

Taxpayer	Type of Business	Assessed Valuation Real Estate	% of Total
Smithfield Foods, Inc.	Meat processing	\$ 40,480,400	3.71%
Gwaltney of Smithfield, Ltd.	Meat processing	28,451,800	2.61%
Cypress Creek Development Co., LLC	Land developer	17,434,100	1.60%
Cedar-Smithfield II LLC	Real estate	9,097,600	0.83%
Patrick Henry Hospital	Nursing home/Assisted Living	8,390,000	0.77%
Bradford Mews Associates	Apartment rentals	7,822,200	0.72%
Smithfield Associates LLC	Hotel/Lodging	6,771,500	0.62%
Smithfield Development Corp	Land developer	5,650,100	0.52%
Morris Creek Landing Apartments	Apartment rentals	4,884,900	0.45%
Smithfield Square Associates	Real estate	4,770,400	0.44%
Church Square LLC	Land developer	4,467,700	0.41%
Smithfield Packing Company	Meat processing	4,410,600	0.40%
Club Forest Pine St LLC & Club	Real estate	4,010,500	0.37%
Virginia Smithfield LLC	Real estate	3,810,900	0.35%
Pack Development Company LLC	Restaurant/Hotel	3,685,100	0.34%
Cypress Creek Golf Course, LLC	Land developer	3,634,100	0.33%
Obici Professional Center, Inc.	Medical offices	3,277,500	0.30%
Smithfield Ham & Products	Commercial/Industrial	2,868,900	0.26%
Robert J Little, III & Nancy Delk	Commerical/Real Estate	2,520,200	0.23%
		<u>\$ 166,438,500</u>	<u>15.26%</u>

		Assessed Valuation Personal Property	% of Total
Gwaltney of Smithfield	Meat processing	82,252,774	37.81%
Smithfield Packing	Meat processing	48,227,147	22.17%
Smithfield Ham & Products Co.	Wholesale ham and related pork products	1,808,645	0.83%
Paccar Leasing Company	Vehicle and equipment financing	1,215,000	0.56%
Somerset Capital Group Ltd	Equipment financing	1,153,393	0.53%
All Virginia Environmental Solutions	Recycling/Trash Pickup	928,234	0.43%
Farm Fresh #238	Retail grocery	916,576	0.42%
Farmers Service	Hardware/lawn & garden	912,778	0.42%
Charter Communications	Cable/High Speed Internet Service Provider	912,284	0.42%
Bloom # 2754	Retail grocery	868,731	0.40%
Smithfield Transportation Inc	Trucking/shipping	806,500	0.37%
General Electric Capital Corporation-Gwal	Vehicle and equipment financing	774,501	0.36%
General Electric -Smithfield Packing	Vehicle and equipment financing	623,398	0.29%
Gwaltney Transportation Co.	Trucking/shipping	494,000	0.23%
Hampton Inn & Suites	Hotel/Lodging	480,000	0.22%
Cryovac Inc.-Smithfield Packing	Packaging	375,000	0.17%
Citicapital Commercial Leasing Corp-Smi	Vehicle and equipment financing	343,250	0.16%
Smithfield Station	Hotel/restaurant/retail	311,450	0.14%
		<u>\$ 143,403,661</u>	<u>65.92%</u>

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy [1][2]	Total Current Collections [1]	Percent of 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
2011	\$ 2,762,912	\$ 2,660,799	96.3%	\$ 91,482	\$ 2,752,281	96.7%	\$ 334,882	12.2%
2010	\$ 2,782,362	\$ 2,682,324	96.4%	\$ 49,374	\$ 2,731,698	98.2%	\$ 333,985	12.0%
2009	\$ 2,696,693	\$ 2,627,544	97.4%	\$ 46,683	\$ 2,674,227	99.2%	\$ 277,914	10.3%
2008	\$ 2,454,163	\$ 2,424,449	98.8%	\$ 23,621	\$ 2,448,070	99.8%	\$ 252,253	10.3%
2007	\$ 2,350,667	\$ 2,313,995	98.4%	\$ 21,482	\$ 2,335,477	99.4%	\$ 208,104	8.9%
2006	\$ 2,144,398	\$ 2,133,140	99.5%	\$ 18,151	\$ 2,151,291	100.3%	\$ 120,144	5.6%
2005	\$ 2,029,857	\$ 2,006,124	98.8%	\$ 27,216	\$ 2,033,340	100.2%	\$ 102,258	5.0%
2004	\$ 1,803,454	\$ 1,760,553	97.6%	\$ 21,504	\$ 1,782,057	98.8%	\$ 124,577	6.9%
2003	\$ 1,642,814	\$ 1,620,563	98.6%	\$ 63,545	\$ 1,684,108	102.5%	\$ 72,636	4.4%
2002	\$ 1,421,820	\$ 1,390,423	97.8%	\$ 22,234	\$ 1,412,657	99.4%	\$ 64,798	4.6%

[1] Exclusive of penalties and interest. Tax year 2010 includes vehicle license tax as part of personal property tax levy.

[2] Beginning the year ended June 30, 2000, the total tax levy includes the Commonwealth's reimbursement.

[3] Inclusive of penalties. (Note - delinquent taxes = \$261,244, penalty and interest = \$73,638).

**Ratio of Net General Bonded Debt to Assessed
Value and Net Bonded Debt Per Capita**

Last Ten Fiscal Years

Fiscal Year	Population		Assessed Value	[3] Gross and Net Bonded Debt	Less - Debt Payable from Enterprise Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2011	8,089	[1]	\$ 1,315,267,714	\$ 4,870,677	\$ 4,231,770	\$ 638,907	0.05%	\$ 79
2010	6,324	[2]	\$ 1,326,157,271	\$ 4,476,754	\$ 4,470,508	\$ 6,246	0.00%	\$ 1
2009	6,324	[2]	\$ 1,310,667,802	\$ 4,924,960	\$ 4,703,341	\$ 221,619	0.02%	\$ 35
2008	6,324	[2]	\$ 1,241,516,731	\$ 5,380,694	\$ 4,936,894	\$ 443,800	0.04%	\$ 70
2007	6,324	[2]	\$ 1,181,657,578	\$ 5,977,454	\$ 5,231,096	\$ 746,358	0.06%	\$ 118
2006	6,324	[2]	\$ 842,305,875	\$ 6,604,383	\$ 5,517,897	\$ 1,086,486	0.13%	\$ 172
2005	6,324	[2]	\$ 807,331,646	\$ 3,515,061	\$ 2,102,369	\$ 1,412,692	0.17%	\$ 223
2004	6,324	[2]	\$ 661,964,530	\$ 4,054,967	\$ 2,264,583	\$ 1,790,384	0.27%	\$ 283
2003	6,324	[2]	\$ 619,878,231	\$ 3,756,763	\$ 2,016,763	\$ 1,740,000	0.28%	\$ 275
2002	6,324	[2]	\$ 522,422,415	\$ 4,122,683	\$ 2,082,683	\$ 2,040,000	0.39%	\$ 323

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

[2] U. S. Census Bureau - 2000 Census.

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

Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures

Last Ten Fiscal Years

Fiscal Year	General		Total Debt Service	Total General Expenditures	Ratio of Debt Service to Expenditures
	Principal	Interest			
2011	\$ 6,246	\$ 57,712	\$ 63,958	\$ 8,570,562	0.75%
2010	\$ 215,373	\$ 13,746	\$ 229,119	\$ 8,881,032	2.58%
2009	\$ 222,188	\$ 15,041	\$ 237,229	\$ 14,738,430	1.61%
2008	\$ 302,883	\$ 23,588	\$ 326,471	\$ 7,383,722	4.42%
2007	\$ 340,195	\$ 33,486	\$ 373,681	\$ 7,618,231	4.91%
2006	\$ 398,087	\$ 44,954	\$ 443,041	\$ 6,117,762	7.24%
2005	\$ 391,879	\$ 57,431	\$ 449,310	\$ 5,548,322	8.10%
2004	\$ 374,615	\$ 77,524	\$ 452,139	\$ 4,941,714	9.15%
2003	\$ 300,000	\$ 75,797	\$ 375,797	\$ 4,411,934	8.52%
2002	\$ 300,000	\$ 87,693	\$ 387,693	\$ 4,920,527	7.88%

Computation of Legal Debt Margin

June 30, 2011

Total assessed value of taxed real property	\$ 1,090,457,100
Debt limit - 10% of total assessed value	109,045,710
Amount of debt applicable to debt limit - gross debt	<u>4,870,677</u>
Legal debt margin	<u>\$ 104,175,033</u>

Full-Time Equivalent City Government Employees by Function/Program**Last Eight Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
General government								
Management services	2.8	3.11	3.43	3.43	3.33	3.18	2.75	2.19
Finance	4.12	4.79	4.60	4.00	4.55	3.40	3.20	2.60
Planning	2.35	2.35	2.50	2.00	2.41	2.50	2.60	1.60
Building	0.88	0.85	0.98	0.98	0.50	-	-	-
Other	0.8	0.80	0.80	1.00	1.00	1.00	1.00	1.00
Police								
Officers	19.31	21.78	21.00	20.16	20.51	21.00	21.00	17.00
Civilians	3.82	4.35	3.82	3.80	4.80	4.80	4.50	4.50
Other public works								
Engineering	0.80	0.80	0.80	0.80	0.80	0.80	0.50	0.50
Other	6.75	5.97	4.90	5.50	4.76	5.61	5.38	4.70
Cultural and recreation	5.08	5.26	4.23	4.23	5.28	5.91	4.87	4.61
Water	5.55	5.83	5.35	4.70	4.71	4.71	4.71	4.25
Wastewater	5.95	6.13	6.85	5.90	5.92	5.92	3.91	3.55
	58.21	62.02	59.26	56.50	58.57	58.83	54.42	46.50

Operating Indicators by Function/Program

Last Eight Fiscal Years								
Function/Program	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Police								
Physical arrests	271	362	387	361	354	344	417	351
Parking violations	20	99	48	37	54	66	65	81
Traffic violations	1,387	1,817	1,991	1,503	2,052	1,799	1,804	1,244
Fire								
Emergency responses	524	578	650	581	425	426	366	428
Refuse collection								
Refuse collected (tons per day)	[1]	33.69	9.45	9.70	9.05	9.09	8.82	8.56
Other public works								
Street resurfacing (miles)	[1]	140.00	1.82	6.25	3.50	2.60	-	0.70
Potholes repaired	[1]	87	79	48	32	31	36	27
Water								
New connections		17	31	41	95	110	111	120
Water mains breaks		4	11	22	24	25	25	25
Average daily consumption (thousands of gallons)		810.72	824.47	806.24	810.73	820.65	771.29	748.40
Peak daily consumption (thousands of gallons)		1,879.39	2,159.77	1,734.77	1,819.71	55.07	N/A	N/A

[1] Outsourced to subcontractors.

Capital Asset Statistics by Function/Program

Last Eight Fiscal Years								
Function/Program	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Police								
Stations	1	1	1	1	1	1	1	1
Patrol units	21	22	21	22	21	21	21	18
Fire stations	1	1	1	1	1	1	1	1
Other public works								
Street (miles)	47.11	47.11	47.11	47.11	43.33	41.92	41.92	40.15
Streetlights	687	686	684	667	655	651	603	547
Traffic signals	7	7	7	7	7	7	5	5
Park and recreation								
Acreage *	201.901	201.901	201.901	5.491	5.491	5.491	5.491	5.491
Playgrounds	2	2	2	2	2	2	2	2
Conference centers	1	1	1	1	1	1	1	1
Water								
Water mains (miles)	38.25	38.25	38.25	38.25	38.25	38.25	38.25	36.50
Storage capacity (thousands of gallons)	1,120	1,120	625	625	625	625	625	625
Wastewater								
Sanitary sewers (miles)	38.25	38.25	38.25	38.25	38.25	38.25	38.25	38.25

*Acreage increase in 2009 resulted from the purchase of Windsor Castle Estate to be used as a public park. The estate included 196.41 acres.