

TOWN OF SMITHFIELD, VIRGINIA



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

TOWN OF SMITHFIELD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

Prepared by:

Laura Ross, Town Treasurer

Town of Smithfield, Virginia

Town Council and Executive Officers

Mayor

Steven G. Bowman

Town Clerk

Lesley G. King

Vice-Mayor

Valerie C. Butler

Town Manager

Michael R. Stallings

Council Members

Randolph H. Pack
Wayne Hall
Renee Rountree
Michael G. Smith
Jeffrey Brooks

Treasurer

Laura Ross

Chief of Police

Alonzo Howell

Committees

Finance

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

Public Works

Jeffrey Brooks (CH)
Michael G. Smith
Renee Rountree

Water and Sewer

Michael G. Smith (CH)
Randolph H. Pack
Wayne Hall

Public Buildings and Welfare

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

Public Safety - Police

Wayne Hall (CH)
Jeffery Brooks
Renee Rountree

Parks and Recreation

Renee Rountree (CH)
Valerie C. Butler
Jeffrey Brooks

Isle of Wight Tourism Bureau

Jeffrey Brooks

Smithfield Planning Commission

Randolph H. Pack

Intergovernmental

Steven G. Bowman
Valerie C. Butler

**TOWN OF SMITHFIELD, VIRGINIA
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FOR THE YEAR ENDED JUNE 30, 2023**

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Smithfield, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the Town of Smithfield, Virginia, as of and for the year ended June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows hereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Smithfield, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Smithfield, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Smithfield, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of Town of Smithfield, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Smithfield, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Smithfield, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 11, 2023

Management's Discussion and Analysis

As management of Town of Smithfield (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$62.4 million (*net position*) of which governmental activities was \$39.7 million. Of this amount, \$15.0 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$4.3 million, of which the governmental activities accounted for an increase of \$2.7 million and business-type activities accounted for an increase of \$1.6 million.
- The total ending fund balance for the Town's governmental funds is \$13.0 million, an increase of \$2.0 million over the prior year. The ending fund balance of the general fund was \$12.7 million and is equal to 128% of the Town's fiscal year 2023 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12.0 million, or 138% of general fund expenditures less any capital outlay expenditures.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Town's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Town may have used previously accumulated funds.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 17 through 19 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary 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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains three governmental funds, a General Fund, a Special Revenue Fund, and a Capital Projects Fund. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 21 through 24 of this report.

The Town maintains one type of **Proprietary Fund**. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 25 through 27 of this report.

Notes to financial statements

The notes provide additional information that is 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 on pages 28 through 75 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedules related to pension and OPEB funding. Required supplementary information can be found on pages 77 through 88 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39.7 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$41.5 million, 67% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the Town's Statement of Net Position:

Town of Smithfield, Virginia Summary of Net Position As of June 30, 2023 and June 30, 2022						
	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 22,882,104	\$ 19,962,155	\$ 7,954,366	\$ 9,180,867	\$ 30,836,470	\$ 29,143,022
Capital assets	<u>29,860,898</u>	<u>29,767,867</u>	<u>17,265,325</u>	<u>16,243,069</u>	<u>47,126,223</u>	<u>46,010,936</u>
Total assets	<u>\$ 52,743,002</u>	<u>\$ 49,730,022</u>	<u>\$ 25,219,691</u>	<u>\$ 25,423,936</u>	<u>\$ 77,962,693</u>	<u>\$ 75,153,958</u>
Deferred outflows of resources	\$ 741,626	\$ 1,169,076	\$ 116,716	\$ 197,883	\$ 858,342	\$ 1,366,959
Long-term liabilities						
outstanding	\$ 4,080,658	\$ 4,557,018	\$ 2,248,916	\$ 2,236,883	\$ 6,329,574	\$ 6,793,901
Other liabilities	<u>5,671,214</u>	<u>4,637,252</u>	<u>250,545</u>	<u>2,034,572</u>	<u>5,921,759</u>	<u>6,671,824</u>
Total liabilities	<u>\$ 9,751,872</u>	<u>\$ 9,194,270</u>	<u>\$ 2,499,461</u>	<u>\$ 4,271,455</u>	<u>\$ 12,251,333</u>	<u>\$ 13,465,725</u>
Deferred inflows of resources	\$ 4,004,215	\$ 4,685,495	\$ 197,649	\$ 351,851	\$ 4,201,864	\$ 5,037,346
Net investment in capital assets	\$ 26,485,794	\$ 25,560,902	\$ 15,049,484	\$ 13,550,028	\$ 41,535,278	\$ 39,110,930
Restricted	1,538,803	1,696,078	4,277,288	4,028,269	5,816,091	5,724,347
Unrestricted	<u>11,703,944</u>	<u>9,762,353</u>	<u>3,312,525</u>	<u>3,420,216</u>	<u>15,016,469</u>	<u>13,182,569</u>
Total net position	<u>\$ 39,728,541</u>	<u>\$ 37,019,333</u>	<u>\$ 22,639,297</u>	<u>\$ 20,998,513</u>	<u>\$ 62,367,838</u>	<u>\$ 58,017,846</u>

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the Town as a whole, as well as for its separate governmental and business-type activities.

As noted previously, the Town's overall (government and business-type activities) net position increased by \$4.3 million during the current fiscal year. The overall increase is attributed primarily to an increase in operating grants and contributions in both the governmental and proprietary funds.

Government-wide Financial Analysis: (Continued)

Governmental activities increased the Town's net position by \$2,709,208. The following table summarizes the Town's Statement of Activities:

Town of Smithfield, Virginia
Changes in Net Position
For the Years Ended June 30, 2023 and June 30, 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 359,888	\$ 383,149	\$ 3,255,888	\$ 3,112,984	\$ 3,615,776	\$ 3,496,133
Operating grants and contributions	3,434,071	2,381,379	1,178,996	691,964	4,613,067	3,073,343
Capital grants and contributions	304,250	465,582	548,160	563,400	852,410	1,028,982
General revenues:						
Property taxes	3,503,775	3,353,768	-	-	3,503,775	3,353,768
Other taxes	4,655,874	4,431,744	-	-	4,655,874	4,431,744
Unrestricted revenues from the use of money and property	463,176	432,942	16,813	13,957	479,989	446,899
Miscellaneous	204,008	141,239	37,649	67,561	241,657	208,800
Grants and contributions not restricted to specific programs	412,448	417,466	-	-	412,448	417,466
Gain on disposal of capital assets	171,200	-	-	12,870	171,200	12,870
Total revenues	<u>\$ 13,508,690</u>	<u>\$ 12,007,269</u>	<u>\$ 5,037,506</u>	<u>\$ 4,462,736</u>	<u>\$ 18,546,196</u>	<u>\$ 16,470,005</u>
Expenses:						
General government administration	\$ 1,384,585	\$ 1,334,877	\$ -	\$ -	\$ 1,384,585	\$ 1,334,877
Public safety	3,111,588	2,941,256	-	-	3,111,588	2,941,256
Public works	3,510,433	2,528,576	-	-	3,510,433	2,528,576
Parks, recreation and cultural	1,977,092	1,910,009	-	-	1,977,092	1,910,009
Community development	751,809	1,176,068	-	-	751,809	1,176,068
Interest on long-term debt	63,975	65,703	-	-	63,975	65,703
Water fund	-	-	2,082,075	2,064,578	2,082,075	2,064,578
Sewer fund	-	-	1,314,647	1,243,710	1,314,647	1,243,710
Total expenses	<u>\$ 10,799,482</u>	<u>\$ 9,956,489</u>	<u>\$ 3,396,722</u>	<u>\$ 3,308,288</u>	<u>\$ 14,196,204</u>	<u>\$ 13,264,777</u>
Increase (decrease) in net position	<u>\$ 2,709,208</u>	<u>\$ 2,050,780</u>	<u>\$ 1,640,784</u>	<u>\$ 1,154,448</u>	<u>\$ 4,349,992</u>	<u>\$ 3,205,228</u>
Net position - beginning of year	<u>\$ 37,019,333</u>	<u>\$ 34,968,553</u>	<u>\$ 20,998,513</u>	<u>\$ 19,844,065</u>	<u>\$ 58,017,846</u>	<u>\$ 54,812,618</u>
Net position - end of year	<u>\$ 39,728,541</u>	<u>\$ 37,019,333</u>	<u>\$ 22,639,297</u>	<u>\$ 20,998,513</u>	<u>\$ 62,367,838</u>	<u>\$ 58,017,846</u>

Business-type activities increased the Town's net position by \$1,640,784. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund: The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and the balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

In fiscal year 2023, the General Fund's operating revenues exceeded expenditures by \$1,681,461 and total fund balance increased \$2,042,106.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,967,594. The restricted fund balance was \$53,220, committed fund balance was \$588,686, and nonspendable fund balance was \$73,683 and consisted of prepaid items inventory and leases.

Proprietary Fund: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer funds at the end of the year amounted to \$3,312,525. The total net position increased by \$1,640,784 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was over budget by \$201,719 with the surplus generated by intergovernmental revenues from the Commonwealth and the sale of a parcel of land. Expenditures were under budget by \$1,638,757.

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$47.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, and machinery and equipment as well as lease assets and construction in progress.

Town of Smithfield, Virginia Capital Assets (net of depreciation) As of June 30, 2023 and June 30, 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 10,152,358	\$ 10,206,158	\$ 214,481	\$ 214,481	\$ 10,366,839	\$ 10,420,639
Buildings and systems	6,528,496	6,461,901	6,735,326	6,893,563	13,263,822	13,355,464
Improvements other than buildings	3,332,340	3,648,936	57,225	63,987	3,389,565	3,712,923
Machinery & Equipment	791,997	812,162	2,200,521	2,264,356	2,992,518	3,076,518
Vehicles	82,778	137,342	380,415	451,703	463,193	589,045
Lease vehicles	324,121	300,951	-	-	324,121	300,951
Infrastructure	6,783,673	6,914,864	6,946,696	6,110,198	13,730,369	13,025,062
Art collections	9,835	10,537	-	-	9,835	10,537
Construction in progress	1,855,300	1,275,016	730,661	244,781	2,585,961	1,519,797
Total	<u>\$ 29,860,898</u>	<u>\$ 29,767,867</u>	<u>\$ 17,265,325</u>	<u>\$ 16,243,069</u>	<u>\$ 47,126,223</u>	<u>\$ 46,010,936</u>

Additional information on the Town's capital assets can be found in Note 6 on pages 44 through 46 of this report.

Capital Asset and Debt Administration: (Continued)

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$6.3 million and details are summarized in the following table:

Town of Smithfield, Virginia Outstanding Obligations As of June 30, 2023 and June 30, 2022						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 3,041,487	\$ 3,340,908	\$ 931,513	\$ 1,242,092	\$ 3,973,000	\$ 4,583,000
Notes payable	-	98,376	1,247,736	1,336,155	1,247,736	1,434,531
Lease liabilities	329,777	304,062	-	-	329,777	304,062
Net OPEB liabilities	528,298	633,252	32,089	32,027	560,387	665,279
Compensated absences	181,096	180,420	37,578	38,239	218,674	218,659
Total	<u>\$ 4,080,658</u>	<u>\$ 4,557,018</u>	<u>\$ 2,248,916</u>	<u>\$ 2,648,513</u>	<u>\$ 6,329,574</u>	<u>\$ 7,205,531</u>

Debt associated with governmental activities decreased by \$476,360 while debt associated with business-type activities decreased by \$399,597.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total assessed value of taxed real property. The Town was in compliance with debt limitation as of June 30, 2023.

Additional information on the Town's long-term obligations compliance can be found in Note 8.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, Town of Smithfield, 310 Institute Street, Smithfield.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
As of June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 17,026,402	\$ 3,211,594	\$ 20,237,996
Receivables (net of allowance for uncollectibles):			
Taxes receivable	2,529,182	-	2,529,182
Accounts receivable	467,268	708,949	1,176,217
Leases receivable	538,805	-	538,805
Internal balances	589,154	(589,154)	-
Due from other governmental units	257,194	3,818	261,012
Inventories	53,795	261,453	315,248
Prepaid items	8,444	-	8,444
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	189,359	4,098,008	4,287,367
Net pension asset	1,222,501	259,698	1,482,199
Capital assets (net of accumulated depreciation):			
Land	10,152,358	214,481	10,366,839
Buildings and systems	6,528,496	6,735,326	13,263,822
Improvements other than buildings	3,332,340	57,225	3,389,565
Machinery and equipment	791,997	2,200,521	2,992,518
Vehicles	82,778	380,415	463,193
Lease vehicles	324,121	-	324,121
Infrastructure	6,783,673	6,946,696	13,730,369
Art collections	9,835	-	9,835
Construction in progress	1,855,300	730,661	2,585,961
Total assets	\$ 52,743,002	\$ 25,219,691	\$ 77,962,693
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 511,005	\$ 108,555	\$ 619,560
OPEB related items	230,621	8,161	238,782
Total deferred outflows of resources	\$ 741,626	\$ 116,716	\$ 858,342
LIABILITIES			
Accounts payable & other accrued expenses	\$ 275,286	\$ 116,153	\$ 391,439
Accrued wages & payroll liabilities	199,810	40,321	240,131
Customer deposits	-	80,418	80,418
Accrued interest payable	12,674	13,653	26,327
Due to other governmental units	430,033	-	430,033
Unearned revenue	4,687,263	-	4,687,263
Refunds to taxpayers	66,148	-	66,148
Long-term liabilities:			
Due within one year	483,252	1,326,502	1,809,754
Due in more than one year	3,597,406	922,414	4,519,820
Total liabilities	\$ 9,751,872	\$ 2,499,461	\$ 12,251,333
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 2,323,815	\$ -	\$ 2,323,815
Pension related items	892,477	189,588	1,082,065
OPEB related items	260,562	8,061	268,623
Leases receivable	527,361	-	527,361
Total deferred inflows of resources	\$ 4,004,215	\$ 197,649	\$ 4,201,864
NET POSITION			
Net investment in capital assets	\$ 26,485,794	\$ 15,049,484	\$ 41,535,278
Restricted:			
Net pension asset	1,222,501	259,698	1,482,199
Pinewood Heights escrow	15,729	-	15,729
Police department expenditures	37,491	-	37,491
Highway maintenance	263,082	-	263,082
Water debt service	-	985,522	985,522
Sewer compliance	-	3,032,068	3,032,068
Unrestricted	11,703,944	3,312,525	15,016,469
Total net position	\$ 39,728,541	\$ 22,639,297	\$ 62,367,838

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

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,384,585	\$ -	\$ 1,447	\$ -
Public safety	3,111,588	37,860	254,374	-
Public works	3,510,433	228,549	2,706,961	304,250
Parks, recreation, and cultural	1,977,092	-	471,289	-
Community development	751,809	93,479	-	-
Interest on long-term debt	63,975	-	-	-
Total governmental activities	\$ 10,799,482	\$ 359,888	\$ 3,434,071	\$ 304,250
Business-type activities:				
Water	\$ 2,082,075	\$ 1,970,461	\$ 809,834	\$ 229,280
Sewer	1,314,647	1,285,427	369,162	318,880
Total business-type activities	\$ 3,396,722	\$ 3,255,888	\$ 1,178,996	\$ 548,160
Total primary government	\$ 14,196,204	\$ 3,615,776	\$ 4,613,067	\$ 852,410

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

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and		
	Changes in Net Position		
	Primary Government		
	Governmental	Business-type	Total
Activities	Activities		
PRIMARY GOVERNMENT:			
Governmental activities:			
General government administration	\$ (1,383,138)	\$ -	\$ (1,383,138)
Public safety	(2,819,354)	-	(2,819,354)
Public works	(270,673)	-	(270,673)
Parks, recreation, and cultural	(1,505,803)	-	(1,505,803)
Community development	(658,330)	-	(658,330)
Interest on long-term debt	(63,975)	-	(63,975)
Total governmental activities	\$ (6,701,273)	\$ -	\$ (6,701,273)
Business-type activities:			
Water	\$ -	\$ 927,500	\$ 927,500
Sewer	-	658,822	658,822
Total business-type activities	\$ -	\$ 1,586,322	\$ 1,586,322
Total primary government	\$ (6,701,273)	\$ 1,586,322	\$ (5,114,951)
General revenues:			
General property taxes	\$ 3,503,775	\$ -	\$ 3,503,775
Other local taxes:			
Local sales and use tax	527,949	-	527,949
Business licenses	598,368	-	598,368
Utility license taxes	188,550	-	188,550
Restaurant food taxes	2,424,844	-	2,424,844
Cigarette taxes	183,183	-	183,183
Motor vehicle taxes	256,705	-	256,705
Other local taxes	476,275	-	476,275
Unrestricted revenues from use of money and property	463,176	16,813	479,989
Miscellaneous	204,008	37,649	241,657
Grants and contributions not restricted to specific programs	412,448	-	412,448
Gain on disposal of capital assets	171,200	-	171,200
Total general revenues	\$ 9,410,481	\$ 54,462	\$ 9,464,943
Change in net position	\$ 2,709,208	\$ 1,640,784	\$ 4,349,992
Net position - beginning	37,019,333	20,998,513	58,017,846
Net position - ending	\$ 39,728,541	\$ 22,639,297	\$ 62,367,838

Fund Financial Statements

Balance Sheet

Governmental Funds

As of June 30, 2023

	General	Highway Maintenance	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 17,026,402	\$ -	\$ -	\$ 17,026,402
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,529,182	-	-	2,529,182
Accounts receivable	467,268	-	-	467,268
Lease receivable	538,805	-	-	538,805
Due from other funds	1,951,652	2,032,026	8,151	3,991,829
Due from other governmental units	257,194	-	-	257,194
Inventories	53,795	-	-	53,795
Prepaid items	8,444	-	-	8,444
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	53,220	136,139	-	189,359
Total assets	\$ 22,885,962	\$ 2,168,165	\$ 8,151	\$ 25,062,278
LIABILITIES				
Accounts payable & other accrued expenditures	\$ 259,553	\$ 15,733	\$ -	\$ 275,286
Accrued wages & payroll liabilities	187,526	12,284	-	199,810
Due to other funds	1,525,566	1,877,066	43	3,402,675
Unearned revenue	4,687,263	-	-	4,687,263
Due to other governmental units	430,033	-	-	430,033
Refunds to taxpayers	66,148	-	-	66,148
Total liabilities	\$ 7,156,089	\$ 1,905,083	\$ 43	\$ 9,061,215
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 2,519,329	\$ -	\$ -	\$ 2,519,329
Leases receivable	527,361	-	-	527,361
Total deferred inflows of resources	\$ 3,046,690	\$ -	\$ -	\$ 3,046,690
FUND BALANCE				
Nonspendable:				
Prepaid items	\$ 8,444	\$ -	\$ -	\$ 8,444
Inventory	53,795	-	-	53,795
Net lease receivable	11,444	-	-	11,444
Total nonspendable fund balance	\$ 73,683	\$ -	\$ -	\$ 73,683
Restricted:				
Pinewood Heights escrow	\$ 15,729	\$ -	\$ -	\$ 15,729
Highway maintenance	-	263,082	-	263,082
Police department expenditures	37,491	-	-	37,491
Total restricted fund balance	\$ 53,220	\$ 263,082	\$ -	\$ 316,302
Committed:				
Special projects	\$ 581,669	\$ -	\$ -	\$ 581,669
Windsor Castle	7,017	-	-	7,017
Total committed fund balance	\$ 588,686	\$ -	\$ -	\$ 588,686
Assigned:				
Capital projects	\$ -	\$ -	\$ 8,108	\$ 8,108
Total assigned fund balance	\$ -	\$ -	\$ 8,108	\$ 8,108
Unassigned	\$ 11,967,594	\$ -	\$ -	\$ 11,967,594
Total fund balances	\$ 12,683,183	\$ 263,082	\$ 8,108	\$ 12,954,373
Total liabilities, deferred inflows of resources and fund balances	\$ 22,885,962	\$ 2,168,165	\$ 8,151	\$ 25,062,278

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of June 30, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 12,954,373
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When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Town as a whole.	29,860,898
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Items related to measurement of the net pension asset and net OPEB liabilities are considered deferred outflows or deferred inflows of resources and will be recognized in pension and OPEB expense over future years. Certain deferred outflows represent a reduction in current expense for contributions to be recognized in a future period.

Deferred outflows - pension related	\$ 511,005	
Deferred outflows - OPEB related	230,621	
Deferred inflows - pension related	(892,477)	
Deferred inflows - OPEB related	<u>(260,562)</u>	(411,413)

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

Net pension asset	1,222,501
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue.

Unavailable revenue related to property taxes	195,514
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Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.	(12,674)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Bonds	\$ (3,041,487)	
Lease liabilities	(329,777)	
Compensated absences	(181,096)	
Net OPEB liabilities	<u>(528,298)</u>	<u>(4,080,658)</u>

Net position of governmental activities	\$ <u>39,728,541</u>
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The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

	General	Highway Maintenance	Capital Projects	Total
REVENUES				
General property taxes	\$ 3,483,383	\$ -	\$ -	\$ 3,483,383
Other local taxes	4,655,874	-	-	4,655,874
Permits, privilege fees, and regulatory licenses	322,028	-	-	322,028
Fines and forfeitures	37,860	-	-	37,860
Revenue from the use of money and property	463,038	138	-	463,176
Miscellaneous	204,008	-	-	204,008
Intergovernmental:				
Commonwealth	969,690	1,513,852	-	2,483,542
Federal	1,460,302	206,925	-	1,667,227
Total revenues	\$ 11,596,183	\$ 1,720,915	\$ -	\$ 13,317,098
EXPENDITURES				
Current:				
General government administration	\$ 1,397,012	\$ -	\$ -	\$ 1,397,012
Public safety	2,917,541	-	-	2,917,541
Public works	1,727,396	1,729,591	-	3,456,987
Parks, recreation, and cultural	1,840,574	-	-	1,840,574
Community development	731,543	-	-	731,543
Capital projects	726,840	-	-	726,840
Debt service:				
Principal retirement	507,727	-	-	507,727
Interest and other fiscal charges	66,089	-	-	66,089
Total expenditures	\$ 9,914,722	\$ 1,729,591	\$ -	\$ 11,644,313
Excess (deficiency) of revenues over (under) expenditures	\$ 1,681,461	\$ (8,676)	\$ -	\$ 1,672,785
OTHER FINANCING SOURCES (USES)				
Issuance of leases	\$ 135,645	\$ -	\$ -	\$ 135,645
Sale of property	225,000	-	-	225,000
Total other financing sources (uses)	\$ 360,645	\$ -	\$ -	\$ 360,645
Net change in fund balances	\$ 2,042,106	\$ (8,676)	\$ -	\$ 2,033,430
Fund balances - beginning	10,641,077	271,758	8,108	10,920,943
Fund balances - ending	\$ 12,683,183	\$ 263,082	\$ 8,108	\$ 12,954,373

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$	2,033,430
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$	1,407,320	
Depreciation expense		<u>(1,230,397)</u>	176,923

The net effect of various miscellaneous transactions involving capital assets (i.e, sales and donations) is to increase or decrease net position.

Early disposal of lease vehicle	(30,092)	
Gain (loss) on exchange of capital assets	171,200	
Proceeds from sale of capital assets	<u>(225,000)</u>	(83,892)

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

Property tax revenue	20,394
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Issuance of leases	\$	(135,645)	
Principal retired on general obligation bonds, leases and notes		<u>507,727</u>	372,082

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

Change in compensated absences	\$	(676)	
Change in net pension asset/liability		(121,808)	
Change in net OPEB liabilities		104,954	
Change in deferred inflows related to the net OPEB liabilities		(68,512)	
Change in deferred inflows related to the net pension liability		701,649	
Change in deferred outflows related to net pension liability		(371,521)	
Change in deferred outflows related to net OPEB liabilities		(55,929)	
Change in accrued interest payable		<u>2,114</u>	<u>190,271</u>

Change in net position of governmental activities	\$	<u><u>2,709,208</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
As of June 30, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,613,197	\$ 1,598,397	\$ 3,211,594
Receivables, net of allowances for uncollectibles accounts	458,542	250,407	708,949
Due from other funds	346,762	748,310	1,095,072
Due from other governmental units	-	3,818	3,818
Inventory	213,076	48,377	261,453
Total current assets	\$ 2,631,577	\$ 2,649,309	\$ 5,280,886
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 1,065,940	\$ 3,032,068	\$ 4,098,008
Net pension asset	159,826	99,872	259,698
Capital assets:			
Land	204,391	10,090	214,481
Improvements other than buildings	115,140	20,087	135,227
Vehicles	145,946	660,318	806,264
Buildings and systems	7,773,189	4,343,166	12,116,355
Machinery and equipment	2,176,439	4,401,958	6,578,397
Infrastructure	5,700,705	9,464,583	15,165,288
Construction in progress	329,956	400,705	730,661
Accumulated depreciation	(6,108,881)	(12,372,467)	(18,481,348)
Total capital assets	\$ 10,336,885	\$ 6,928,440	\$ 17,265,325
Total noncurrent assets	\$ 11,562,651	\$ 10,060,380	\$ 21,623,031
Total assets	\$ 14,194,228	\$ 12,709,689	\$ 26,903,917
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 66,808	\$ 41,747	\$ 108,555
OPEB related items	5,022	3,139	8,161
Total deferred outflows of resources	\$ 71,830	\$ 44,886	\$ 116,716
LIABILITIES			
Current liabilities:			
Accounts payable & other accrued expenses	\$ 75,234	\$ 40,919	\$ 116,153
Accrued wages & payroll liabilities	24,096	16,225	40,321
Customer deposits	80,418	-	80,418
Accrued interest payable	6,126	7,527	13,653
Due to other funds	1,358,509	325,717	1,684,226
Compensated absences - current portion	7,815	8,229	16,044
Notes payable - current portion	834,275	223,239	1,057,514
Bonds payable - current portion	252,944	-	252,944
Total current liabilities	\$ 2,639,417	\$ 621,856	\$ 3,261,273
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 678,569	\$ -	\$ 678,569
Notes payable - net of current portion	-	190,222	190,222
Net OPEB liabilities	19,748	12,341	32,089
Compensated absences - net of current portion	12,850	8,684	21,534
Total noncurrent liabilities	\$ 711,167	\$ 211,247	\$ 922,414
Total liabilities	\$ 3,350,584	\$ 833,103	\$ 4,183,687
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 116,678	\$ 72,910	\$ 189,588
OPEB related items	4,961	3,100	8,061
Total deferred inflows of resources	\$ 121,639	\$ 76,010	\$ 197,649
NET POSITION			
Net investment in capital assets	\$ 8,548,505	\$ 6,500,979	\$ 15,049,484
Restricted	1,145,348	3,131,940	4,277,288
Unrestricted	1,099,982	2,212,543	3,312,525
Total net position	\$ 10,793,835	\$ 11,845,462	\$ 22,639,297

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

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,703,546	\$ 1,285,427	\$ 2,988,973
Charges for services-debt service	266,915	-	266,915
Miscellaneous	34,429	3,220	37,649
Total operating revenues	\$ 2,004,890	\$ 1,288,647	\$ 3,293,537
OPERATING EXPENSES			
Personnel services	\$ 510,600	\$ 328,206	\$ 838,806
Employee benefits	72,971	48,683	121,654
Contractual	50,440	32,080	82,520
Maintenance, repairs, and truck operations	196,123	261,447	457,570
HRSD	435,998	-	435,998
Utilities	137,949	54,607	192,556
Supplies	246,729	41,375	288,104
Other charges	88,092	45,002	133,094
Depreciation	318,172	492,641	810,813
Total operating expenses	\$ 2,057,074	\$ 1,304,041	\$ 3,361,115
Operating income (loss)	\$ (52,184)	\$ (15,394)	\$ (67,578)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue			
Federal	\$ 809,834	\$ 369,162	\$ 1,178,996
Investment income	7,644	9,169	16,813
Interest expense and other fiscal charges	(25,001)	(10,606)	(35,607)
Total nonoperating revenues (expenses)	\$ 792,477	\$ 367,725	\$ 1,160,202
Income (loss) before contributions	\$ 740,293	\$ 352,331	\$ 1,092,624
Contributed capital - availability fees	\$ 174,080	\$ 263,680	\$ 437,760
Contributed capital - development impact fees	55,200	55,200	110,400
Total contributed capital	\$ 229,280	\$ 318,880	\$ 548,160
Change in net position	\$ 969,573	\$ 671,211	\$ 1,640,784
Total net position - beginning	9,824,262	11,174,251	20,998,513
Total net position - ending	\$ 10,793,835	\$ 11,845,462	\$ 22,639,297

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,958,879	\$ 1,282,674	\$ 3,241,553
Payments to suppliers	(759,287)	(1,156,130)	(1,915,417)
Payments to and on behalf of employees	(602,970)	(388,574)	(991,544)
Net cash provided by (used for) operating activities	\$ 596,622	\$ (262,030)	\$ 334,592
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue	\$ 809,834	\$ 369,162	\$ 1,178,996
Net cash provided by (used for) noncapital financing activities	\$ 809,834	\$ 369,162	\$ 1,178,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (1,148,080)	\$ (684,989)	\$ (1,833,069)
Capital contributions	213,021	256,937	469,958
Retirement of long-term indebtedness	(259,952)	(139,046)	(398,998)
Interest expense	(26,547)	(13,253)	(39,800)
Net cash provided by (used for) capital and related financing activities	\$ (1,221,558)	\$ (580,351)	\$ (1,801,909)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 7,644	\$ 9,169	\$ 16,813
Net cash provided by (used for) investing activities	\$ 7,644	\$ 9,169	\$ 16,813
Net increase (decrease) in cash and cash equivalents	\$ 192,542	\$ (464,050)	\$ (271,508)
Cash and cash equivalents - beginning, including restricted cash and cash equivalents of \$1,004,401 and \$2,823,125	2,486,595	5,094,515	7,581,110
Cash and cash equivalents - ending, including restricted cash and cash equivalents of \$1,065,940 and \$3,032,068	\$ 2,679,137	\$ 4,630,465	\$ 7,309,602
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (52,184)	\$ (15,394)	\$ (67,578)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	318,172	492,641	810,813
(Increase) decrease in accounts receivable	(41,599)	(6,008)	(47,607)
(Increase) decrease in due from other funds	(74,487)	(565,127)	(639,614)
(Increase) decrease in due from other governmental units	-	35	35
(Increase) decrease in inventory	(56,807)	(11,115)	(67,922)
(Increase) decrease in net pension asset	15,924	9,951	25,875
Increase (decrease) in compensated absences	(213)	(448)	(661)
Increase (decrease) in accrued payroll	9,800	6,875	16,675
Increase (decrease) in due to other funds	608,676	(90,874)	517,802
Increase (decrease) in accounts payable	(81,338)	(54,503)	(135,841)
Increase (decrease) in net OPEB liabilities	38	24	62
(Increase) decrease in deferred outflows of resources - OPEB related	1,382	863	2,245
Increase (decrease) in deferred inflows of resources - OPEB related	(3,168)	(1,980)	(5,148)
(Increase) decrease in deferred outflows of resources - pension related	48,570	30,352	78,922
Increase (decrease) in deferred inflows of resources - pension related	(91,732)	(57,322)	(149,054)
Increase (decrease) in customer deposits	(4,412)	-	(4,412)
Total adjustments	\$ 648,806	\$ (246,636)	\$ 402,170
Net cash provided by (used for) operating activities	\$ 596,622	\$ (262,030)	\$ 334,592
Noncash investing, capital, and financing activities:			
Increase (decrease) in accounts payable, capital related	\$ (16,259)	\$ (61,943)	\$ (78,202)

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements As of June 30, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

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

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

A. Financial Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

1. *Governmental Funds:*

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

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

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

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

2. *Proprietary Funds:*

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Highway Maintenance Fund, Water Fund and Sewer Fund.
6. The budgets for the General Fund, Highway Maintenance Fund, Water Fund and Sewer Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. A review of the presented budget comparisons herein will disclose how accurately Town Council was actually able to forecast the revenues and expenditures of the Town.
8. Appropriations lapse on June 30, unless carried forward by a resolution of Town Council.
9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2023.
10. Expenditures exceeded appropriations in the Highway Maintenance Fund for the year ended June 30, 2023

E. Cash and Cash Equivalents

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

F. Investments

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

G. Inventory and Prepaid Items

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

H. Allowance for Uncollectible Accounts

The Town calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes was \$33,205 at June 30, 2023. The allowance for uncollectible billings in the water and sewer funds are \$105,112 and \$66,021, respectively.

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

I. Capital Assets

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

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

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

J. Compensated Absences

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

K. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Use of Estimates

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

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

M. Intergovernmental Agreements

Water Services Agreement:

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

Tourism Agreement:

The Town has a memorandum of understanding with Isle of Wight County to share the operating costs of the tourism center located in Smithfield. The tourism center is for the benefit of both Smithfield and Isle of Wight County. The total amount the Town expended related to this memorandum of understanding in fiscal year 2023 was \$288,912.

Erosion and Sediment Control Plan:

The Town has a memorandum of understanding with Isle of Wight County to develop an erosion and sediment control plan for each zoning permit that it issues. There were no expenditures related to this agreement in fiscal year 2023.

Fats, Oils, and Grease Control:

The Town, along with several other localities, has entered into a memorandum of understanding agreement with Hampton Roads Sanitation District related to control of the amounts of fats, oils, and grease draining into sanitary sewers from food service establishments. The total amount the Town expended during fiscal year 2023 was nominal and is not currently tracked or reported separately by the Town.

Law Enforcement Mutual Aid Agreement:

The Town has entered into a mutual aid agreement with several other localities to provide police and sheriff support across jurisdictional lines. There were no expenditures related to this agreement in fiscal year 2023.

Emergency Communications Center:

The Town has entered into a memorandum of understanding with other nearby localities to establish an emergency communications center to serve as a central dispatch facility for police, fire and EMS. The total amount the Town expended related to this memorandum of understanding in 2023 was \$369,456.

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

N. Deferred Outflows/Inflows of Resources

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

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

O. Pensions

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

P. Other Postemployment Benefits (OPEB)

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

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

Q. Net Position

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

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

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

R. Fund Balance

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

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

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

R. Fund Balance: (Continued)

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

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

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

S. Leases

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

Lessee

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

Lessor

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

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

S. Leases (Continued)

Key Estimates and Judgments

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

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

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

As of June 30, 2023, the Town had the following investments:

Town's Rated Debt Investments	
<u>Rated Debt Investments Value</u>	<u>Standard & Poor's Rating</u>
	<u>AA+f/s1</u>
VACo/VML Virginia Investment Pool	\$ 535,627
Total	\$ 535,627

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements

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

Redemption Restrictions

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

Investment Credit Policy

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Credit Policy: (Continued)

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

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

Investment Type	Investment Maturity*	
	Fair Value	1-5 Years
VACo/VML Virginia Investment Pool	\$ 535,627	\$ 535,627
Total investments	\$ 535,627	\$ 535,627

* Weighted average maturity in years.

Custodial Credit Risk

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

Concentration of Investment Credit Risk

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

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Restricted and Designated Cash

Restricted cash and cash equivalents of the Town's governmental funds and business-type activities at June 30, 2023, are detailed as follows:

	General	Highway Maintenance	Business-type Activities	
			Water	Sewer
Pinewood Heights escrow	\$ 15,729	\$ -	\$ -	\$ -
Police Department	37,491	-	-	-
Highway maintenance	-	136,139	-	-
Debt service	-	-	985,522	-
Compliance escrow	-	-	-	3,032,068
Customer deposits	-	-	80,418	-
Total	<u>\$ 53,220</u>	<u>\$ 136,139</u>	<u>\$ 1,065,940</u>	<u>\$ 3,032,068</u>

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

	General	Business-type Activities		Total Primary Government
		Water	Sewer	
Special projects	\$ 581,669	\$ -	\$ -	\$ 581,669
Windsor Castle	7,017	-	-	7,017
Escrow	-	761,811	1,590,289	2,352,100
Total	<u>\$ 588,686</u>	<u>\$ 761,811</u>	<u>\$ 1,590,289</u>	<u>\$ 2,940,786</u>

NOTE 3—RECEIVABLES:

Accounts receivable are detailed as follows:

	Governmental Activities	Business-type Activities
Property taxes	\$ 2,562,387	\$ -
Consumer utility taxes	30,942	-
Consumption taxes	6,352	-
Transient occupancy tax	81,356	-
Meals tax	348,618	-
Water and sewer billings	-	880,082
Total	\$ 3,029,655	\$ 880,082
Allowance for uncollectibles	<u>(33,205)</u>	<u>(171,133)</u>
Net receivables	<u>\$ 2,996,450</u>	<u>\$ 708,949</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 4—DUE FROM/TO OTHER GOVERNMENTS:

Details of amounts due from/to other governments as of June 30, 2023 are as follows:

Governmental Activities:	<u>Due From</u>	<u>Due To</u>
Commonwealth:		
Communications Tax	\$ 26,079	\$ -
Urban Funds	40,338	-
Other	1,795	-
Due from/to Commonwealth	<u>\$ 68,212</u>	<u>\$ -</u>
Isle of Wight County:		
Local Sales Tax	\$ 92,569	\$ -
Fines	5,026	-
Other	91,387	430,033
Due from/to Isle of Wight County	<u>\$ 188,982</u>	<u>\$ 430,033</u>
Total Governmental Activities	<u><u>\$ 257,194</u></u>	<u><u>\$ 430,033</u></u>
Business-type Activities:		
Isle of Wight County	<u><u>\$ 3,818</u></u>	<u><u>\$ -</u></u>

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

NOTE 5—INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances are considered short-term in nature. All balances result from the time-lag between the dates that reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. At June 30, 2023, the balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ 1,951,652	\$ 1,525,566
Highway Fund	2,032,026	1,877,066
Capital Projects Fund	8,151	43
Enterprise Funds:		
Water Fund	346,762	1,358,509
Sewer Fund	748,310	325,717
Total	<u><u>\$ 5,086,901</u></u>	<u><u>\$ 5,086,901</u></u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of changes in capital assets:

Governmental Activities:	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 10,206,158	\$ -	\$ 53,800	\$ 10,152,358
Construction in progress	1,275,016	580,284	-	1,855,300
Total capital assets not being depreciated	\$ 11,481,174	\$ 580,284	\$ 53,800	\$ 12,007,658
Capital assets being depreciated:				
Art collections	\$ 118,466	\$ -	\$ -	\$ 118,466
Buildings and systems	9,704,917	307,668	-	10,012,585
Improvements other than buildings	5,662,120	-	-	5,662,120
Machinery and equipment	2,287,103	144,418	-	2,431,521
Vehicles	1,378,234	-	-	1,378,234
Lease vehicles	364,876	135,645	39,251	461,270
Infrastructure	12,359,435	239,305	-	12,598,740
Total capital assets being depreciated	\$ 31,875,151	\$ 827,036	\$ 39,251	\$ 32,662,936
Accumulated depreciation:				
Art collections	\$ (107,929)	\$ (702)	\$ -	\$ (108,631)
Buildings and systems	(3,243,016)	(241,073)	-	(3,484,089)
Improvements other than buildings	(2,013,184)	(316,596)	-	(2,329,780)
Machinery and equipment	(1,474,941)	(164,583)	-	(1,639,524)
Vehicles	(1,240,892)	(54,564)	-	(1,295,456)
Lease vehicles	(63,925)	(82,383)	(9,159)	(137,149)
Infrastructure	(5,444,571)	(370,496)	-	(5,815,067)
Total accumulated depreciation	\$ (13,588,458)	\$ (1,230,397)	\$ (9,159)	\$ (14,809,696)
Net capital assets being depreciated	\$ 18,286,693	\$ (403,361)	\$ 30,092	\$ 17,853,240
Capital assets, net	\$ 29,767,867	\$ 176,923	\$ 83,892	\$ 29,860,898

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 214,481	\$ -	\$ -	\$ 214,481
Construction in progress	<u>244,781</u>	<u>1,440,735</u>	<u>954,855</u>	<u>730,661</u>
Total capital assets not being depreciated	<u>\$ 459,262</u>	<u>\$ 1,440,735</u>	<u>\$ 954,855</u>	<u>\$ 945,142</u>
Capital assets being depreciated:				
Buildings and systems	\$ 11,984,820	\$ 131,535	\$ -	\$ 12,116,355
Machinery and equipment	6,403,057	175,340	-	6,578,397
Infrastructure	14,124,974	1,040,314	-	15,165,288
Improvements other than buildings	135,227	-	-	135,227
Vehicles	<u>806,264</u>	<u>-</u>	<u>-</u>	<u>806,264</u>
Total capital assets being depreciated	<u>\$ 33,454,342</u>	<u>\$ 1,347,189</u>	<u>\$ -</u>	<u>\$ 34,801,531</u>
Accumulated depreciation:				
Buildings and systems	\$ (5,091,257)	\$ (289,772)	\$ -	\$ (5,381,029)
Machinery and equipment	(4,138,701)	(239,175)	-	(4,377,876)
Infrastructure	(8,014,776)	(203,816)	-	(8,218,592)
Improvements other than buildings	(71,240)	(6,762)	-	(78,002)
Vehicles	<u>(354,561)</u>	<u>(71,288)</u>	<u>-</u>	<u>(425,849)</u>
Total accumulated depreciation	<u>\$ (17,670,535)</u>	<u>\$ (810,813)</u>	<u>\$ -</u>	<u>\$ (18,481,348)</u>
Net capital assets being depreciated	<u>\$ 15,783,807</u>	<u>\$ 536,376</u>	<u>\$ -</u>	<u>\$ 16,320,183</u>
Capital assets, net	<u>\$ 16,243,069</u>	<u>\$ 1,977,111</u>	<u>\$ 954,855</u>	<u>\$ 17,265,325</u>

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

Governmental activities:

General government administration	\$ 35,121
Public safety	219,478
Public works (Highways and streets)	459,082
Parks, recreation and cultural	<u>516,716</u>
Total governmental activities	<u>\$ 1,230,397</u>
Business-type activities	<u>\$ 810,813</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Contract Commitments

Contract commitments of the Town at June 30, 2023 related to capital assets are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Urban Fund Projects:		
Nike Park Recreational Trail-S Church alternatives	\$ 157,850	\$ 108,538
MUNIS Conversion	265,135	69,340
LSC Lighting Project-ARPA	59,245	255,755
LSC & WCP Maintenance Buildings	50,576	331,974
Wilson Tank Rehabilitation	24,762	425,238
Pagan Water Main Replacement	145,970	268,148
Relocate Water Services	21,153	28,847
Second RO Skid/Plant Upgrade	57,702	442,298
Total	<u>\$ 782,393</u>	<u>\$ 1,930,138</u>

NOTE 7—LINE OF CREDIT:

On July 31, 2012, the Town entered into an agreement with Farmers Bank for a line of credit of \$1,000,000 in order to assist the Town in financing capital projects. Effective January 13, 2023 Farmers Bank was acquired by TowneBank, who is now the other party to the line of credit. The variable interest rate is calculated based on the Wall Street Journal Prime Rate. At June 30, 2023, the interest rate being charged to the Town was 8.5%. There was no activity during the year or balance outstanding. The unsecured line was renewed through September 30, 2023.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS:

Governmental activities obligations

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

	Balance July 1, 2022		Issuances/ Additions		Retirements/ Reductions		Balance June 30, 2023
Direct borrowings and direct placements:							
General obligation bonds payable	\$ 3,340,908	\$	-	\$	(299,421)	\$	3,041,487
Notes payable	98,376		-		(98,376)		-
Other liabilities:							
Lease liabilities	304,062		135,645		(109,930)		329,777
Net OPEB liabilities	633,252		445,981		(550,935)		528,298
Compensated absences	180,420		676		-		181,096
Totals	<u>\$ 4,557,018</u>	<u>\$</u>	<u>582,302</u>	<u>\$</u>	<u>(1,058,662)</u>	<u>\$</u>	<u>4,080,658</u>

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

Year Ending June 30,	Direct Borrowings and Direct Placements		Lease Liabilities	
	Bonds Payable			
	Principal	Interest		
2024	\$ 304,056	\$ 49,701	\$ 93,695	\$ 8,390
2025	308,691	44,590	95,608	5,650
2026	314,253	39,385	85,171	2,890
2027	319,815	34,103	37,751	1,153
2028	325,377	28,711	17,552	173
2029-2033	1,469,295	60,220	-	-
Total	<u>\$ 3,041,487</u>	<u>\$ 256,710</u>	<u>\$ 329,777</u>	<u>\$ 18,256</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental activities obligations: (Continued)

Details of Long-term Obligations

	<u>Total Amount*</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements:		
Bonds Payable:		
\$4,176,000 (allocated \$3,871,152 to governmental activities and \$304,848 to business-type activities) General Obligation Refunding Taxable Bond Series 2020A-2 dated August 16, 2020 with principal payable semi-annually in variable amounts, bearing interest at 1.676% payable semi-annually, maturing October 2032.	\$ 3,041,487	\$ 304,056
Other Liabilities:		
Lease Liabilities:		
\$210,899 comprised of 8 separate leases issued in varying individual amounts from \$23,025 to \$37,657 during fiscal year 2021. The leases are payable monthly over a 60 month period with principal and interest in variable amounts. Discount rates from 3.19% to 3.550%. The leases were issued to acquire Town vehicles.	\$ 125,087	\$ 44,991
\$153,977 comprised of 4 separate leases entered into with an individual amount of \$42,004 during fiscal year 2022. The leases are payable monthly over a 60 month period with principal and interest. Discount rate of 4.30%. The leases were issued to acquire Town vehicles.	79,045	22,838
\$135,645 comprised of 4 separate leases issued in varying individual amounts from \$27,250 to 40,573 during fiscal year 2023. The leases are payable monthly over a 60 month period with principal and interest. Discount rates from 3.16% to 3.92%. The leases were issued to acquire Town vehicles.	125,645	25,866
Total Lease Liabilities	\$ 329,777	\$ 93,695
Compensated Absences (Note 9)	\$ 181,096	\$ 85,501
Net OPEB liabilities (Note 11)	\$ 528,298	\$ -
Total governmental activities obligations	\$ 4,080,658	\$ 483,252

*During fiscal year 2023, one of the leased vehicles issued during fiscal year 2022 was disposed of when the carrying value of the asset was \$30,092 and the remaining lease liability was \$30,281

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations

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

	<u>Balance July 1, 2022</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2023</u>
Direct borrowings and direct placements:				
General obligation bonds payable	\$ 1,242,092	\$ -	\$ (310,579)	\$ 931,513
Notes payable	1,336,155	-	(88,419)	1,247,736
Other liabilities:				
Net OPEB liabilities	32,027	19,338	(19,276)	32,089
Compensated absences	<u>38,239</u>	<u>-</u>	<u>(661)</u>	<u>37,578</u>
Totals	<u>\$ 2,648,513</u>	<u>\$ 19,338</u>	<u>\$ (418,935)</u>	<u>\$ 2,248,916</u>

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

Year Ending June 30,	Direct Borrowings and Direct Placements			
	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2024	\$ 252,944	\$ 11,477	\$ 1,057,514	\$ 15,370
2025	255,309	8,335	93,725	5,624
2026	256,747	4,483	96,497	2,853
2027	25,185	2,686	-	-
2028	25,623	2,261	-	-
2029-2033	<u>115,705</u>	<u>4,742</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 931,513</u>	<u>\$ 33,984</u>	<u>\$ 1,247,736</u>	<u>\$ 23,847</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)Business-type obligations: (Continued)Details of Long-term Obligations

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements:		
Bonds Payable:		
\$1,147,000 General Obligation Refunding Tax Exempt Bond Series 2020A-1 dated August 7, 2020 with principal payable semi-annually in variable amounts, bearing interest at 1.191% payable semi-annually, maturing October 2025.	\$ 692,000	\$ 229,000
\$4,176,000 (allocated \$3,871,152 to governmental activities and \$304,848 to business-type activities) General Obligation Refunding Taxable Bond Series 2020A-2 dated August 16, 2020 with principal payable semi-annually in variable amounts, bearing interest at 1.676% payable semi-annually, maturing October 2032.	<u>239,513</u>	<u>23,944</u>
Total Bonds Payable	\$ <u>931,513</u>	\$ <u>252,944</u>
Notes Payable:		
\$1,650,000 (\$966,480 drawn down as of June 30, 2023) General Obligation Note payable Series 2020G dated August 25, 2020. Interest payments semi-annually at 1.45% with final balloon payment due October 2023.	\$ 966,480	\$ 966,480
\$460,998 note payable dated January 25, 2021 for the purchase of a vacuum truck, payable annually with principal and interest due each August with a final payment due August 2025 bearing interest at 2.96%	<u>281,256</u>	<u>91,034</u>
Total Notes Payable	\$ <u>1,247,736</u>	\$ <u>1,057,514</u>
Other liabilities		
Compensated Absences (Note 9)	\$ <u>37,578</u>	\$ <u>16,044</u>
Net OPEB liabilities (Note 11)	\$ <u>32,089</u>	\$ <u>-</u>
Total business-type obligations	\$ <u><u>2,248,916</u></u>	\$ <u><u>1,326,502</u></u>

NOTE 9—COMPENSATED ABSENCES:Annual Leave Accrual

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 9—COMPENSATED ABSENCES:

Annual Leave Accrual: (Continued)

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

Sick Leave

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

At June 30, 2023, accumulated vacation and sick leave for the governmental activities amounted to \$181,096 of which \$85,501 is short-term.

At June 30, 2023, accumulated vacation and sick leave for the business-type activities amounted to \$37,578 of which \$16,044 is short-term.

NOTE 10—PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

NOTE 10—PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

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

Average Final Compensation and Service Retirement Multiplier

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

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	29
Inactive members:	
Vested inactive members	16
Non-vested inactive members	25
Inactive members active elsewhere in VRS	38
Total inactive members	79
Active members	64
Total covered employees	172

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2023 was 8.83% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$284,481 and \$292,302 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability (Asset)

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022.

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

Mortality rates:

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

Pre-Retirement:

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

Mortality rates: (Continued)

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 12,879,691	\$ 14,509,573	\$ (1,629,882)
Changes for the year:			
Service cost	\$ 406,094	\$ -	\$ 406,094
Interest	884,036	-	884,036
Differences between expected and actual experience	(682,398)	-	(682,398)
Contributions - employer	-	292,302	(292,302)
Contributions - employee	-	198,618	(198,618)
Net investment income	-	(22,321)	22,321
Benefit payments, including refunds	(377,914)	(377,914)	-
Administrative expenses	-	(8,893)	8,893
Other changes	-	343	(343)
Net changes	\$ 229,818	\$ 82,135	\$ 147,683
Balances at June 30, 2022	\$ 13,109,509	\$ 14,591,708	\$ (1,482,199)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town Net Pension Liability (Asset)	\$ 490,869	\$ (1,482,199)	\$ (3,074,935)

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2023, the Town recognized pension expense of \$31,905. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,355	\$ 691,567
Change in assumptions	232,724	-
Net difference between projected and actual earnings on pension plan investments	-	390,498
Employer contributions subsequent to the measurement date	284,481	-
Total	<u>\$ 619,560</u>	<u>\$ 1,082,065</u>

\$284,481 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2024	\$ (256,593)
2025	(369,615)
2026	(321,829)
2027	201,050
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2022-annual-report.pdf> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS:

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the Town were \$19,098 and \$17,869 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, the Town reported a liability of \$183,143 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion for the Town was .01520% as compared to .01570% at June 30, 2021.

For the year ended June 30, 2023, the Town recognized GLI OPEB expense of \$7,513. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)*****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)***

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,503	\$ 7,347
Net difference between projected and actual earnings on GLI OPEB program investments	-	11,444
Change in assumptions	6,831	17,839
Changes in proportionate share	6,143	9,376
Employer contributions subsequent to the measurement date	19,098	-
Total	<u>\$ 46,575</u>	<u>\$ 46,006</u>

\$19,098 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Amount
2024	\$ (2,781)
2025	(2,899)
2026	(10,132)
2027	(217)
2028	(2,500)
Thereafter	-

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

- Pre-Retirement:
 - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
 - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
 - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)*****Actuarial Assumptions: (Continued)***

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

	<u>GLI OPEB Plan</u>
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	<u><u>\$ 1,204,096</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Long-term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 266,495	\$ 183,143	\$ 115,784

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Line of Duty Act (LODA) Program:

Plan Description

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

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

Eligible Employees

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Benefit Amounts

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

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

Contributions

The contribution requirements for the LODA are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2023 was \$681.64 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$12,955 and \$13,728 for the years ended June 30, 2023 and June 30, 2022 respectively.

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

At June 30, 2023, the Town reported a liability of \$377,244 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the entity's proportion was .09970% as compared to .10940% at June 30, 2021.

For the year ended June 30, 2023, the entity recognized LODA OPEB expense of \$45,818. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**Line of Duty Act (LODA) Program: (Continued)*****LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)***

At June 30, 2023, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,983	\$ 70,506
Net difference between projected and actual earnings on LODA OPEB plan investments	-	1,613
Change in assumptions	105,203	93,046
Change in proportionate share	45,066	57,452
Employer contributions subsequent to the measurement date	12,955	-
Total	<u>\$ 192,207</u>	<u>\$ 222,617</u>

\$12,955 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (4,916)
2025	(4,881)
2026	(4,845)
2027	(1,090)
2028	(1,929)
Thereafter	(25,704)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.25%-4.75%
Year of ultimate trend rate:	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.69%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

		LODA Program
Total LODA OPEB Liability	\$	385,669
Plan Fiduciary Net Position		7,214
LODA Net OPEB Liability (Asset)	\$	<u>378,455</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		1.87%

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

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments’ 6.75% assumption. Instead, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 2.69% or one percentage point higher 4.69% than the current rate:

	Discount Rate		
	1% Decrease (2.69%)	Current (3.69%)	1% Increase (4.69%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 430,621	\$ 377,244	\$ 333,576

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

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

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 317,910	\$ 377,244	\$ 451,718

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate OPEB Information

	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:				
GLI Plan	\$ 46,575	\$ 46,006	\$ 183,143	\$ 7,513
LODA Program	192,207	222,617	377,244	45,818
Totals	<u>\$ 238,782</u>	<u>\$ 268,623</u>	<u>\$ 560,387</u>	<u>\$ 53,331</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 12—CONTINGENT LIABILITIES:

Federal assisted grant programs:

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

General Obligation Bonds:

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

NOTE 13—LEGAL DEBT MARGIN:

The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation of real estate on the amount of general obligation borrowings that may be issued by the Town. At June 30, 2023, the Town's aggregate general obligation indebtedness was \$118,496,613 less than the Commonwealth of Virginia's limit. Reference Table 11 in the Other Statistical Information.

NOTE 14—RISK MANAGEMENT:

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 15—LEASES RECEIVABLE:

The Town leases various property including recreational facilities. The Town recognized lease revenue and interest revenue in the amounts of \$45,767 and \$11,541, respectively under these lease agreements.

A description of the lease arrangements is as follows:

<u>Lease Description</u>	<u>End Date</u>	<u>Discount Rate</u>	<u>Lease Receivable June 30, 2023</u>	<u>Deferred Inflow of Resources June 30, 2023</u>
Lease of Sports Complex	1/31/2033	2.07%	\$ 303,881	\$ 297,072
Lease of Windsor Castle Park	1/31/2033	2.07%	234,924	230,289
			<u>\$ 538,805</u>	<u>\$ 527,361</u>

NOTE 16—UPCOMING PRONOUNCEMENTS:

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

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

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

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

Required Supplementary Information

Note to Required Supplementary Information:

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

General Fund

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

For the Year Ended June 30, 2023

	General Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 3,383,335	\$ 3,383,335	\$ 3,483,383	\$ 100,048
Other local taxes	4,576,411	4,576,411	4,655,874	79,463
Permits, privilege fees, and regulatory licenses	317,606	317,606	322,028	4,422
Fines and forfeitures	47,205	47,205	37,860	(9,345)
Revenue from the use of money and property	437,448	437,448	463,038	25,590
Miscellaneous	129,409	129,409	204,008	74,599
Intergovernmental:				
Commonwealth	702,080	702,080	969,690	267,610
Federal	1,800,970	1,800,970	1,460,302	(340,668)
Total revenues	\$ 11,394,464	\$ 11,394,464	\$ 11,596,183	\$ 201,719
EXPENDITURES				
Current:				
General government administration	\$ 1,526,710	\$ 1,526,710	\$ 1,397,012	\$ 129,698
Public safety	3,529,055	3,529,055	2,917,541	611,514
Public works	1,825,394	1,825,394	1,727,396	97,998
Parks, recreation, and cultural	2,298,934	2,298,934	1,840,574	458,360
Community development	775,776	775,776	731,543	44,233
Capital projects	1,033,000	1,033,000	726,840	306,160
Debt service:				
Principal retirement	507,727	507,727	507,727	-
Interest and other fiscal charges	56,883	56,883	66,089	(9,206)
Total expenditures	\$ 11,553,479	\$ 11,553,479	\$ 9,914,722	\$ 1,638,757
Excess (deficiency) of revenues over (under) expenditures	\$ (159,015)	\$ (159,015)	\$ 1,681,461	\$ 1,840,476
OTHER FINANCING SOURCES (USES)				
Sale of land	\$ -	\$ -	\$ 225,000	\$ 225,000
Issuance of leases	175,000	175,000	135,645	(39,355)
Total other financing sources (uses)	\$ 175,000	\$ 175,000	\$ 360,645	\$ 185,645
Net change in fund balances	\$ 15,985	\$ 15,985	\$ 2,042,106	\$ 2,026,121
Fund balances - beginning	-	-	10,641,077	10,641,077
Fund balances - ending	\$ 15,985	\$ 15,985	\$ 12,683,183	\$ 12,667,198

Highway Maintenance Fund

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

For the Year Ended June 30, 2023

	Highway Maintenance Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ 250	\$ 250	\$ 138	\$ (112)
Intergovernmental:				
Commonwealth	1,311,487	1,311,487	1,513,852	202,365
Federal	-	-	206,925	206,925
Total revenues	\$ 1,311,737	\$ 1,311,737	\$ 1,720,915	\$ 409,178
EXPENDITURES				
Current:				
Public works	\$ 1,311,737	\$ 1,311,737	\$ 1,729,591	\$ (417,854)
Total expenditures	\$ 1,311,737	\$ 1,311,737	\$ 1,729,591	\$ (417,854)
Net change in fund balances	\$ -	\$ -	\$ (8,676)	\$ (8,676)
Fund balances - beginning	-	-	271,758	271,758
Fund balances - ending	\$ -	\$ -	\$ 263,082	\$ 263,082

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 406,094	\$ 407,164	\$ 409,222	\$ 341,033
Interest	884,036	789,433	692,656	634,287
Changes of benefit terms	-	157,949	-	-
Differences between expected and actual experience	(682,398)	(522,938)	755,685	272,262
Changes of assumptions	-	553,724	-	343,613
Benefit payments	(377,914)	(401,879)	(445,782)	(335,956)
Net change in total pension liability	\$ 229,818	\$ 983,453	\$ 1,411,781	\$ 1,255,239
Total pension liability - beginning	12,879,691	11,896,238	10,484,457	9,229,218
Total pension liability - ending (a)	<u>\$ 13,109,509</u>	<u>\$ 12,879,691</u>	<u>\$ 11,896,238</u>	<u>\$ 10,484,457</u>
Plan fiduciary net position				
Contributions - employer	\$ 292,302	\$ 284,911	\$ 149,680	\$ 148,084
Contributions - employee	198,618	153,761	225,095	158,765
Net investment income	(22,321)	3,128,848	213,124	708,065
Benefit payments	(377,914)	(401,879)	(445,782)	(335,956)
Administrator charges	(8,893)	(7,534)	(7,189)	(6,847)
Other	343	298	(256)	(448)
Net change in plan fiduciary net position	\$ 82,135	\$ 3,158,405	\$ 134,672	\$ 671,663
Plan fiduciary net position - beginning	14,509,573	11,351,168	11,216,496	10,544,833
Plan fiduciary net position - ending (b)	<u>\$ 14,591,708</u>	<u>\$ 14,509,573</u>	<u>\$ 11,351,168</u>	<u>\$ 11,216,496</u>
Town's net pension (asset) liability - ending (a) - (b)	\$ (1,482,199)	\$ (1,629,882)	\$ 545,070	\$ (732,039)
Plan fiduciary net position as a percentage of the total pension liability	111.31%	112.65%	95.42%	106.98%
Covered payroll	\$ 3,300,848	\$ 3,228,790	\$ 3,248,871	\$ 3,112,992
Town's net pension (asset) liability as a percentage of covered payroll	-44.90%	-50.48%	16.78%	-23.52%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 347,677	\$ 345,672	\$ 331,525	\$ 327,359	\$ 321,427
Interest	600,262	549,789	508,644	467,961	429,561
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(172,628)	107,895	(38,766)	6,227	-
Changes of assumptions	-	(39,355)	-	-	-
Benefit payments	(242,520)	(243,397)	(183,768)	(257,044)	(147,781)
Net change in total pension liability	\$ 532,791	\$ 720,604	\$ 617,635	\$ 544,503	\$ 603,207
Total pension liability - beginning	8,696,427	7,975,823	7,358,188	6,813,685	6,210,478
Total pension liability - ending (a)	<u>\$ 9,229,218</u>	<u>\$ 8,696,427</u>	<u>\$ 7,975,823</u>	<u>\$ 7,358,188</u>	<u>\$ 6,813,685</u>
Plan fiduciary net position					
Contributions - employer	\$ 152,960	\$ 200,069	\$ 175,435	\$ 169,828	\$ 225,366
Contributions - employee	138,192	139,642	139,731	126,764	133,560
Net investment income	727,785	1,064,028	152,635	365,835	1,071,092
Benefit payments	(242,520)	(243,397)	(183,768)	(257,044)	(147,781)
Administrator charges	(6,115)	(5,926)	(5,063)	(4,907)	(5,531)
Other	(654)	(955)	(63)	(78)	57
Net change in plan fiduciary net position	\$ 769,648	\$ 1,153,461	\$ 278,907	\$ 400,398	\$ 1,276,763
Plan fiduciary net position - beginning	9,775,185	8,621,724	8,342,817	7,942,419	6,665,656
Plan fiduciary net position - ending (b)	<u>\$ 10,544,833</u>	<u>\$ 9,775,185</u>	<u>\$ 8,621,724</u>	<u>\$ 8,342,817</u>	<u>\$ 7,942,419</u>
Town's net pension (asset) liability - ending (a) - (b)	\$ (1,315,615)	\$ (1,078,758)	\$ (645,901)	\$ (984,629)	\$ (1,128,734)
Plan fiduciary net position as a percentage of the total pension liability	114.25%	112.40%	108.10%	113.38%	116.57%
Covered payroll	\$ 2,848,327	\$ 2,850,144	\$ 2,636,184	\$ 2,541,822	\$ 2,522,284
Town's net pension (asset) liability as a percentage of covered payroll	-46.19%	-37.85%	-24.50%	-38.74%	-44.75%

Schedule of Employer Contributions

Pension Plan

For the Years Ended June 30, 2014 through June 30, 2023

Date	Contributions in Relation to		Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)*	Contractually Required Contribution (2)*			
2023	\$ 284,481	\$ 284,481	\$ -	\$ 3,483,476	8.17%
2022	292,302	292,302	-	3,300,848	8.86%
2021	263,602	263,602	-	3,228,790	8.16%
2020	144,134	144,134	-	3,248,871	4.44%
2019	148,085	148,085	-	3,112,992	4.76%
2018	152,960	152,960	-	2,848,327	5.37%
2017	156,370	156,370	-	2,850,144	5.49%
2016	175,434	175,434	-	2,636,184	6.65%
2015	170,809	170,809	-	2,541,822	6.72%
2014	225,492	225,492	-	2,522,284	8.94%

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

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

Schedule of Town's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2022	0.01520%	\$ 183,143	\$ 3,309,057	5.53%	67.21%
2021	0.01570%	182,790	3,241,018	5.64%	67.45%
2020	0.01585%	264,510	3,261,610	8.11%	52.64%
2019	0.01589%	258,573	3,112,992	8.31%	52.00%
2018	0.01501%	228,000	2,848,327	8.00%	51.22%
2017	0.01547%	233,000	2,850,144	8.18%	48.86%

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

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2017 through June 30, 2023

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2023	\$ 19,098	\$ 19,098	\$ -	\$ 3,536,670		0.54%
2022	17,869	17,869	-	3,309,057		0.54%
2021	17,501	17,501	-	3,241,018		0.51%
2020	16,960	16,960	-	3,261,610		0.51%
2019	15,353	15,353	-	3,112,992		0.51%
2018	15,029	15,029	-	2,848,327		0.53%
2017	14,833	14,833	-	2,850,144		0.52%

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

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Employer's Share of Net OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2022	0.09970% \$	377,244 \$	N/A	N/A	1.87%
2021	0.10940%	482,489	N/A	N/A	1.68%
2020	0.09348%	391,508	N/A	N/A	1.02%
2019	0.09466%	339,627	N/A	N/A	0.79%
2018	0.10121%	317,000	N/A	N/A	0.60%
2017	0.10521%	276,000	N/A	N/A	1.30%

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

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

Schedule of Employer Contributions

Line of Duty Act (LODA) Program

For the Years Ended June 30, 2017 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2023	\$ 12,955	\$ 12,955	\$ -	\$ N/A	N/A
2022	13,728	13,728	-	N/A	N/A
2021	15,064	15,064	-	N/A	N/A
2020	12,704	12,704	-	N/A	N/A
2019	12,704	12,704	-	N/A	N/A
2018	10,780	10,780	-	N/A	N/A
2017	11,347	11,347	-	N/A	N/A

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

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

Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Other Supplementary Information

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,231,376	\$ 2,231,376	\$ 2,335,375	\$ 103,999
Real and personal public service corporation taxes	35,959	35,959	33,375	(2,584)
Personal property and machinery & tools taxes	1,061,000	1,061,000	1,054,883	(6,117)
Penalties	40,000	40,000	41,743	1,743
Interest	15,000	15,000	18,007	3,007
Total general property taxes	\$ 3,383,335	\$ 3,383,335	\$ 3,483,383	\$ 100,048
Other local taxes:				
Local sales and use taxes	\$ 661,481	\$ 661,481	\$ 527,949	\$ (133,532)
Cigarette taxes	211,500	211,500	183,183	(28,317)
Bank stock taxes	153,519	153,519	134,572	(18,947)
Business license tax	445,605	445,605	598,368	152,763
Utility license taxes	191,963	191,963	188,550	(3,413)
Transient taxes	260,859	260,859	300,327	39,468
Meals tax	2,364,654	2,364,654	2,424,844	60,190
Vehicle licenses	235,000	235,000	256,705	21,705
Peg Channel capital fee	1,733	1,733	1,599	(134)
Consumption tax	50,097	50,097	39,777	(10,320)
Total other local taxes	\$ 4,576,411	\$ 4,576,411	\$ 4,655,874	\$ 79,463
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 98,646	\$ 98,646	\$ 93,479	\$ (5,167)
Refuse collection fee	218,960	218,960	228,549	9,589
Total permits, privilege fees, and regulatory licenses	\$ 317,606	\$ 317,606	\$ 322,028	\$ 4,422
Fines and forfeitures:				
Police fines	\$ 47,205	\$ 47,205	\$ 37,860	\$ (9,345)
Total fines and forfeitures	\$ 47,205	\$ 47,205	\$ 37,860	\$ (9,345)
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 72,608	\$ 42,608
Revenue from use of property	407,448	407,448	390,430	(17,018)
Total revenue from use of money and property	\$ 437,448	\$ 437,448	\$ 463,038	\$ 25,590
Miscellaneous:				
Miscellaneous	\$ 3,529	\$ 3,529	\$ 32,115	\$ 28,586
VML insurance safety grant	4,000	4,000	1,983	(2,017)
Donations	121,880	121,880	148,822	26,942
Insurance recoveries	-	-	21,088	21,088
Total miscellaneous	\$ 129,409	\$ 129,409	\$ 204,008	\$ 74,599
Total revenue from local sources	\$ 8,891,414	\$ 8,891,414	\$ 9,166,191	\$ 274,777
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 158,412	\$ 158,412	\$ 164,247	\$ 5,835
PPTRA	240,795	240,795	240,795	-
Auto rental tax	6,229	6,229	7,387	1,158
Rolling stock tax	45	45	19	(26)
Total noncategorical aid	\$ 405,481	\$ 405,481	\$ 412,448	\$ 6,967

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 179,664	\$ 179,664	\$ 197,514	\$ 17,850
Total shared expenses	\$ 179,664	\$ 179,664	\$ 197,514	\$ 17,850
Other categorical aid:				
Fire programs fund	\$ 34,050	\$ 34,050	\$ 34,235	\$ 185
Virginia Commission of Arts Grant	4,500	4,500	4,500	-
Asset forfeiture	-	-	1,163	1,163
VTC Grant	-	-	10,000	10,000
DMV animal friendly PLT	-	-	237	237
VDOT - Urban Funds	75,000	75,000	304,250	229,250
Litter control grant	3,385	3,385	5,343	1,958
Total other categorical aid	\$ 116,935	\$ 116,935	\$ 359,728	\$ 242,793
Total categorical aid	\$ 296,599	\$ 296,599	\$ 557,242	\$ 260,643
Total revenue from the Commonwealth	\$ 702,080	\$ 702,080	\$ 969,690	\$ 267,610
Revenue from the federal government:				
Categorical aid:				
Coronavirus State and Local Recovery Funds	\$ 1,769,000	\$ 1,769,000	\$ 1,438,840	\$ (330,160)
Law Enforcement	15,985	15,985	-	(15,985)
Ed Byrne Memorial Justice Assistance Grant	-	-	2,010	2,010
State and Community Highway Safety Grant	9,320	9,320	12,044	2,724
Alcohol Open Container Requirements	-	-	743	743
National Priority Safety Programs	6,665	6,665	6,665	-
Total categorical aid	\$ 1,800,970	\$ 1,800,970	\$ 1,460,302	\$ (340,668)
Total revenue from the federal government	\$ 1,800,970	\$ 1,800,970	\$ 1,460,302	\$ (340,668)
Total General Fund	\$ 11,394,464	\$ 11,394,464	\$ 11,596,183	\$ 201,719
Highway Maintenance Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest	\$ 250	\$ 250	\$ 138	\$ (112)
Total revenue from local sources	\$ 250	\$ 250	\$ 138	\$ (112)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Street and highway maintenance	\$ 1,311,487	\$ 1,311,487	\$ 1,513,852	\$ 202,365
Total revenue from the Commonwealth	\$ 1,311,487	\$ 1,311,487	\$ 1,513,852	\$ 202,365
Revenue from the federal government:				
Categorical aid:				
Coronavirus State and Local Recovery Funds	\$ -	\$ -	\$ 206,925	\$ 206,925
Total revenue from the federal government	\$ -	\$ -	\$ 206,925	\$ 206,925
Total Highway Maintenance Fund	\$ 1,311,737	\$ 1,311,737	\$ 1,720,915	\$ 409,178
Total Primary Government	\$ 12,706,201	\$ 12,706,201	\$ 13,317,098	\$ 610,897

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 194,333	\$ 194,333	\$ 223,112	\$ (28,779)
Town Manager	552,218	552,218	482,117	70,101
Treasurer	780,159	780,159	691,783	88,376
Total general government administration	\$ 1,526,710	\$ 1,526,710	\$ 1,397,012	\$ 129,698
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,036,899	\$ 3,036,899	\$ 2,480,035	\$ 556,864
Fire and rescue services:				
Fire department	\$ 68,050	\$ 68,050	\$ 68,050	-
E-911 dispatch	424,106	424,106	369,456	54,650
Total fire and rescue services	\$ 492,156	\$ 492,156	\$ 437,506	\$ 54,650
Total public safety	\$ 3,529,055	\$ 3,529,055	\$ 2,917,541	\$ 611,514
Public works:				
Public works engineering, trash removal:				
Engineering, trash removal, maintenance	\$ 1,423,390	\$ 1,423,390	\$ 1,380,754	\$ 42,636
Maintenance of general buildings and grounds:				
Public buildings	\$ 402,004	\$ 402,004	\$ 346,642	\$ 55,362
Total public works	\$ 1,825,394	\$ 1,825,394	\$ 1,727,396	\$ 97,998
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 705,058	\$ 705,058	\$ 673,286	\$ 31,772
Clontz Park	3,200	3,200	43,491	(40,291)
Cypress Creek No Wake Zone	1,000	1,000	-	1,000
Farmers Market	3,000	3,000	-	3,000
Fireworks	17,500	17,500	17,500	-
Haydens Lane Maintenance	1,000	1,000	770	230
Veterans War Memorial	3,000	3,000	1,449	1,551
Isle of Wight Arts League	9,000	9,000	9,000	-
Jersey Park Playground	3,000	3,000	-	3,000
Museum	234,838	234,838	258,965	(24,127)
Regional Library	3,627	3,627	3,627	-
Smithfield Center	239,480	239,480	255,233	(15,753)
Luter Sports Complex	633,023	633,023	364,602	268,421
Windsor Castle Manor House	52,520	52,520	58,111	(5,591)
Windsor Castle Park	389,688	389,688	154,540	235,148
Total parks, recreation, and cultural	\$ 2,298,934	\$ 2,298,934	\$ 1,840,574	\$ 458,360

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2023 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning and Community Development Administration	\$ 334,572	\$ 334,572	\$ 271,568	\$ 63,004
Old courthouse contribution	5,000	5,000	5,000	-
Chamber of Commerce	6,000	6,000	6,000	-
Christian Outreach	12,650	12,650	-	12,650
Genieve Shelter	10,500	10,500	7,920	2,580
Hampton Roads Planning District	11,276	11,276	9,811	1,465
CDBG and Pinewood Heights	-	-	15,747	(15,747)
TRIAD	1,650	1,650	-	1,650
Tourism Bureau	280,000	280,000	288,912	(8,912)
Tax Relief for Elderly & Veterans	79,028	79,028	91,485	(12,457)
Western Tidewater Free Clinic	35,100	35,100	35,100	-
Total community development	\$ 775,776	\$ 775,776	\$ 731,543	\$ 44,233
Capital projects:				
Function:				
General Government - Treasurer	\$ 100,000	\$ 100,000	\$ 35,723	\$ 64,277
Public Safety - Police	175,000	175,000	135,645	39,355
Public Works - other	232,000	232,000	385,117	(153,117)
Public Works - public buildings	400,000	400,000	132,955	267,045
Parks, Recreation and Cultural - Waterworks Park & Dam	125,000	125,000	37,400	87,600
Parks, Recreation and Cultural - Smithfield Center	1,000	1,000	-	1,000
Total capital projects	\$ 1,033,000	\$ 1,033,000	\$ 726,840	\$ 306,160
Debt service:				
Principal retirement and interest	\$ 507,727	\$ 507,727	\$ 507,727	\$ -
Interest and other fiscal charges	56,883	56,883	66,089	(9,206)
Total debt service	\$ 564,610	\$ 564,610	\$ 573,816	\$ (9,206)
Total General Fund	\$ 11,553,479	\$ 11,553,479	\$ 9,914,722	\$ 1,638,757
Highway Maintenance Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highway maintenance	\$ 1,222,737	\$ 1,222,737	\$ 1,428,778	\$ (206,041)
Highway capital outlay	89,000	89,000	300,813	(211,813)
Total Highway Maintenance Fund	\$ 1,311,737	\$ 1,311,737	\$ 1,729,591	\$ (417,854)
Total Primary Government	\$ 12,865,216	\$ 12,865,216	\$ 11,644,313	\$ 1,220,903

Other Statistical Information

Net Position by Component
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Governmental activities					
Net investment in capital assets	\$ 26,485,794	\$ 25,560,902	\$ 25,686,339	\$ 25,813,746	\$ 22,192,996
Restricted	1,538,803	1,696,078	310,838	372,195	107,635
Unrestricted	11,703,944	9,762,353	9,018,478	8,433,786	8,453,823
Total governmental activities net position	<u>\$ 39,728,541</u>	<u>\$ 37,019,333</u>	<u>\$ 35,015,655</u>	<u>\$ 34,619,727</u>	<u>\$ 30,754,454</u>
Business-type activities					
Net investment in capital assets	\$ 15,049,484	\$ 13,550,028	\$ 12,817,441	\$ 12,259,196	\$ 12,356,908
Restricted	4,277,288	4,028,269	3,424,674	3,200,895	3,125,014
Unrestricted	3,312,525	3,420,216	3,601,950	4,421,817	4,219,295
Total business-type activities net position	<u>\$ 22,639,297</u>	<u>\$ 20,998,513</u>	<u>\$ 19,844,065</u>	<u>\$ 19,881,908</u>	<u>\$ 19,701,217</u>
Primary government					
Net investment in capital assets	\$ 41,535,278	\$ 39,110,930	\$ 38,503,780	\$ 38,072,942	\$ 34,549,904
Restricted	5,816,091	5,724,347	3,735,512	3,573,090	3,232,649
Unrestricted	15,016,469	13,182,569	12,620,428	12,855,603	12,673,118
Total primary government net position	<u>\$ 62,367,838</u>	<u>\$ 58,017,846</u>	<u>\$ 54,859,720</u>	<u>\$ 54,501,635</u>	<u>\$ 50,455,671</u>

Net Position by Component
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Governmental activities					
Net investment in capital assets	\$ 20,147,780	\$ 21,015,145	\$ 21,084,936	\$ 19,325,305	\$ 19,858,407
Restricted	423,552	1,258,418	1,896,404	130,778	161,059
Unrestricted	8,680,771	7,236,182	6,507,589	6,366,159	5,125,703
Total governmental activities net position	<u>\$ 29,252,103</u>	<u>\$ 29,509,745</u>	<u>\$ 29,488,929</u>	<u>\$ 25,822,242</u>	<u>\$ 25,145,169</u>
Business-type activities					
Net investment in capital assets	\$ 12,182,289	\$ 12,145,829	\$ 12,022,648	\$ 12,041,397	\$ 12,149,969
Restricted	3,033,839	2,764,024	2,261,716	2,118,384	1,793,475
Unrestricted	3,521,849	3,181,201	3,268,468	2,914,632	2,694,709
Total business-type activities net position	<u>\$ 18,737,977</u>	<u>\$ 18,091,054</u>	<u>\$ 17,552,832</u>	<u>\$ 17,074,413</u>	<u>\$ 16,638,153</u>
Primary government					
Net investment in capital assets	\$ 32,330,069	\$ 33,160,974	\$ 33,107,584	\$ 31,366,702	\$ 32,008,376
Restricted	3,457,391	4,022,442	4,158,120	2,249,162	1,954,534
Unrestricted	12,202,620	10,417,383	9,776,057	9,280,791	7,820,412
Total primary government net position	<u>\$ 47,990,080</u>	<u>\$ 47,600,799</u>	<u>\$ 47,041,761</u>	<u>\$ 42,896,655</u>	<u>\$ 41,783,322</u>

Change in Net Position

Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Expenses					
Governmental activities:					
General government administration	\$ 1,384,585	\$ 1,334,877	\$ 1,807,433	\$ 1,324,043	\$ 1,218,767
Public safety	3,111,588	2,941,256	2,840,138	2,687,945	2,335,986
Public works	3,510,433	2,528,576	2,846,710	2,648,183	2,531,611
Parks, recreation, and cultural	1,977,092	1,910,009	1,830,395	1,931,278	1,724,153
Community development	751,809	1,176,068	1,401,742	1,458,373	676,948
Interest on long-term debt	63,975	65,703	100,526	86,375	107,901
Total governmental activities expenses	\$ 10,799,482	\$ 9,956,489	\$ 10,826,944	\$ 10,136,197	\$ 8,595,366
Business-type activities:					
Water	\$ 2,082,075	\$ 2,064,578	\$ 2,513,706	\$ 1,878,610	\$ 1,593,655
Sewer	1,314,647	1,243,710	1,099,535	1,064,151	903,326
Total business-type activities expenses	\$ 3,396,722	\$ 3,308,288	\$ 3,613,241	\$ 2,942,761	\$ 2,496,981
Total primary government expenses	\$ 14,196,204	\$ 13,264,777	\$ 14,440,185	\$ 13,078,958	\$ 11,092,347
Program Revenue					
Governmental activities:					
Charges for services:	\$ 359,888	\$ 383,149	\$ 315,778	\$ 148,673	\$ 87,206
Operating grants and contributions	3,434,071	2,381,379	2,766,708	2,495,025	1,557,719
Capital grants and contributions	304,250	465,582	230,837	3,702,277	1,303,665
Total governmental activities program revenues	\$ 4,098,209	\$ 3,230,110	\$ 3,313,323	\$ 6,345,975	\$ 2,948,590
Business-type activities:					
Charges for services:					
Water	\$ 1,970,461	\$ 1,852,180	\$ 1,813,365	\$ 1,722,097	\$ 1,692,607
Sewer	1,285,427	1,260,804	1,224,897	1,125,190	1,158,739
Operating grants and contributions	1,178,996	691,964	6,523	-	-
Capital grants and contributions	548,160	563,400	417,280	194,180	522,900
Total business-type activities program revenues	\$ 4,983,044	\$ 4,368,348	\$ 3,462,065	\$ 3,041,467	\$ 3,374,246
Total primary government program revenues	\$ 9,081,253	\$ 7,598,458	\$ 6,775,388	\$ 9,387,442	\$ 6,322,836
Governmental activities	\$ (6,701,273)	\$ (6,726,379)	\$ (7,513,621)	\$ (3,790,222)	\$ (5,646,776)
Business-type activities	1,586,322	1,060,060	(151,176)	98,706	877,265
Total primary government net expense	\$ (5,114,951)	\$ (5,666,319)	\$ (7,664,797)	\$ (3,691,516)	\$ (4,769,511)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 3,503,775	\$ 3,353,768	\$ 3,031,225	\$ 3,129,739	\$ 2,519,668
Franchise taxes	188,550	195,542	190,767	201,256	192,386
Sales taxes	527,949	540,311	491,199	414,610	357,250
Other taxes	3,939,375	3,695,891	3,302,947	2,960,400	3,058,161
Grants and contributions not restricted to specific programs	412,448	417,466	278,743	445,037	448,490
Gain (Loss) on disposition of capital assets	171,200	-	-	-	-
Revenues from use of property and money	463,176	432,942	441,608	404,317	460,292
Miscellaneous	204,008	141,239	173,060	100,136	112,880
Total governmental activities	\$ 9,410,481	\$ 8,777,159	\$ 7,909,549	\$ 7,655,495	\$ 7,149,127
Business-type activities:					
Miscellaneous	\$ 37,649	\$ 67,561	\$ 100,683	\$ 40,740	\$ 26,967
Other-Insurance Recoveries	-	-	-	-	-
Gain (Loss) on disposition of capital assets	-	12,870	-	-	-
Revenues from use of property and money	16,813	13,957	12,650	41,245	59,008
Total business-type activities	\$ 54,462	\$ 94,388	\$ 113,333	\$ 81,985	\$ 85,975
Total primary government	\$ 9,464,943	\$ 8,871,547	\$ 8,022,882	\$ 7,737,480	\$ 7,235,102
Change in Net Position					
Governmental activities	\$ 2,709,208	\$ 2,050,780	\$ 395,928	\$ 3,865,273	\$ 1,502,351
Business-type activities	1,640,784	1,154,448	(37,843)	180,691	963,240
Total primary government	\$ 4,349,992	\$ 3,205,228	\$ 358,085	\$ 4,045,964	\$ 2,465,591

Change in Net Position

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Expenses					
Governmental activities:					
General government administration	\$ 1,193,699	\$ 1,172,634	\$ 1,053,933	\$ 1,003,355	\$ 964,395
Public safety	2,412,254	2,501,166	2,395,527	2,364,059	2,397,623
Public works	2,303,138	2,460,615	2,462,073	2,287,246	2,388,421
Parks, recreation, and cultural	1,892,333	1,468,199	945,848	916,654	826,369
Community development	742,362	1,903,649	1,144,472	1,039,243	1,004,920
Interest on long-term debt	127,571	50,342	44,266	41,771	35,648
Total governmental activities expenses	\$ 8,671,357	\$ 9,556,605	\$ 8,046,119	\$ 7,652,328	\$ 7,617,376
Business-type activities:					
Water	\$ 1,548,749	\$ 1,623,458	\$ 1,535,791	\$ 1,751,634	\$ 1,632,400
Sewer	838,798	930,017	972,556	1,011,978	1,121,187
Total business-type activities expenses	\$ 2,387,547	\$ 2,553,475	\$ 2,508,347	\$ 2,763,612	\$ 2,753,587
Total primary government expenses	\$ 11,058,904	\$ 12,110,080	\$ 10,554,466	\$ 10,415,940	\$ 10,370,963
Program Revenue					
Governmental activities:					
Charges for services:	\$ 91,082	\$ 97,832	\$ 91,602	\$ 105,848	\$ 92,796
Operating grants and contributions	1,743,669	1,862,264	1,305,965	1,263,354	1,268,617
Capital grants and contributions	132,597	957,221	3,555,770	150,800	374,394
Total governmental activities program revenues	\$ 1,967,348	\$ 2,917,317	\$ 4,953,337	\$ 1,520,002	\$ 1,735,807
Business-type activities:					
Charges for services:					
Water	\$ 1,591,685	\$ 1,598,568	\$ 1,590,719	\$ 1,624,519	\$ 1,626,650
Sewer	1,236,027	1,241,163	1,201,638	1,214,154	1,201,756
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	182,580	217,840	150,444	211,594	178,369
Total business-type activities program revenues	\$ 3,010,292	\$ 3,057,571	\$ 2,942,801	\$ 3,050,267	\$ 3,006,775
Total primary government program revenues	\$ 4,977,640	\$ 5,974,888	\$ 7,896,138	\$ 4,570,269	\$ 4,742,582
Governmental activities	\$ (6,704,009)	\$ (6,639,288)	\$ (3,092,782)	\$ (6,132,326)	\$ (5,881,569)
Business-type activities	622,745	504,096	434,454	286,655	253,188
Total primary government net expense	\$ (6,081,264)	\$ (6,135,192)	\$ (2,658,328)	\$ (5,845,671)	\$ (5,628,381)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 2,495,373	\$ 2,244,184	\$ 2,432,132	\$ 2,304,590	\$ 2,498,772
Franchise taxes	197,901	190,102	137,832	130,227	134,609
Sales taxes	357,917	367,527	330,898	313,161	293,935
Other taxes	2,898,901	2,817,556	2,712,974	2,585,464	2,319,444
Grants and contributions not restricted to specific programs	460,881	682,356	473,672	480,541	480,105
Gain (Loss) on disposition of capital assets	-	6,268	289,162	17,028	28,142
Revenues from use of property and money	334,010	234,640	271,179	239,991	205,654
Miscellaneous	208,605	117,471	111,620	178,676	68,804
Total governmental activities	\$ 6,953,588	\$ 6,660,104	\$ 6,759,469	\$ 6,249,678	\$ 6,029,465
Business-type activities:					
Miscellaneous	\$ 17,445	\$ 11,539	\$ 26,793	\$ 15,663	\$ 10,642
Other-Insurance Recoveries	-	-	-	-	-
Gain (Loss) on disposition of capital assets	-	-	-	-	-
Revenues from use of property and money	40,513	22,587	17,172	13,117	11,526
Total business-type activities	\$ 57,958	\$ 34,126	\$ 43,965	\$ 28,780	\$ 22,168
Total primary government	\$ 7,011,546	\$ 6,694,230	\$ 6,803,434	\$ 6,278,458	\$ 6,051,633
Change in Net Position					
Governmental activities	\$ 249,579	\$ 20,816	\$ 3,666,687	\$ 117,352	\$ 147,896
Business-type activities	680,703	538,222	478,419	315,435	275,356
Total primary government	\$ 930,282	\$ 559,038	\$ 4,145,106	\$ 432,787	\$ 423,252

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
General Fund					
Nonspendable	\$ 73,683	\$ 62,091	\$ 89,150	\$ 48,769	\$ 71,395
Restricted	53,220	80,011	105,914	95,549	107,635
Committed	588,686	587,751	803,464	1,187,710	1,417,334
Unassigned	11,967,594	9,911,224	8,120,737	6,826,657	6,386,507
Total general fund	<u>\$ 12,683,183</u>	<u>\$ 10,641,077</u>	<u>\$ 9,119,265</u>	<u>\$ 8,158,685</u>	<u>\$ 7,982,871</u>
All Other Governmental Funds					
Nonspendable, reported in:					
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ 2,643
Restricted, reported in:					
Special revenue funds	263,082	271,758	204,924	276,646	180,225
Assigned, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	8,108	8,108	8,108	8,108	8,108
Total all other governmental funds	<u>\$ 271,190</u>	<u>\$ 279,866</u>	<u>\$ 213,032</u>	<u>\$ 284,754</u>	<u>\$ 190,976</u>
Total fund balances	<u><u>\$ 12,954,373</u></u>	<u><u>\$ 10,920,943</u></u>	<u><u>\$ 9,332,297</u></u>	<u><u>\$ 8,443,439</u></u>	<u><u>\$ 8,173,847</u></u>

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
General Fund					
Nonspendable	\$ 86,943	\$ 47,593	\$ 87,451	\$ 37,522	\$ 2,128
Restricted	148,943	1,116,809	1,800,803	130,778	161,059
Committed	1,398,693	1,245,015	203,984	144,384	22,444
Unassigned	6,948,472	5,251,801	5,331,092	5,353,610	4,878,078
Total general fund	<u>\$ 8,583,051</u>	<u>\$ 7,661,218</u>	<u>\$ 7,423,330</u>	<u>\$ 5,666,294</u>	<u>\$ 5,063,709</u>
All Other Governmental Funds					
Nonspendable, reported in:					
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted, reported in:					
Special revenue funds	274,609	141,609	95,601	-	-
Assigned, reported in:					
Special revenue funds	-	-	-	83,872	38,064
Capital project funds	8,108	8,108	8,108	8,108	8,108
Total all other governmental funds	<u>\$ 282,717</u>	<u>\$ 149,717</u>	<u>\$ 103,709</u>	<u>\$ 91,980</u>	<u>\$ 46,172</u>
Total fund balances	<u><u>\$ 8,865,768</u></u>	<u><u>\$ 7,810,935</u></u>	<u><u>\$ 7,527,039</u></u>	<u><u>\$ 5,758,274</u></u>	<u><u>\$ 5,109,881</u></u>

General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Buildings and Works [1]	Parks Recreational and Cultural	Community Development and Nondepartmental	Capital Projects	Debt Service Principal	Debt Service Interest and Issuance Costs	Total
2023	\$ 1,397,012	\$ 2,917,541	\$ 3,456,987	\$ 1,840,574	\$ 731,543	\$ 726,840	\$ 507,727	\$ 66,089	\$ 11,644,313
2022	1,295,904	2,686,409	2,066,347	1,361,728	1,163,287	1,339,911	463,248	67,843	10,444,677
2021	1,710,383	2,756,144	2,481,699	1,274,967	1,401,742	554,469	427,171	92,884	10,699,459
2020	1,256,614	2,480,146	2,193,728	1,429,137	1,458,341	4,329,649	397,643	87,928	13,633,186
2019	1,230,019	2,235,444	2,150,485	1,459,716	677,111	2,289,276	882,258	105,400	11,029,709
2018	1,185,804	2,288,658	1,907,265	1,716,056	742,362	1,682,879	271,485	119,401	9,913,910
2017	1,135,211	2,312,087	2,049,108	1,292,176	1,698,649	3,351,960	90,800	50,367	11,980,358
2016	1,032,973	2,252,064	1,987,807	775,156	1,144,472	1,946,638	87,057	45,097	9,271,264
2015	992,342	2,269,098	1,943,321	750,219	1,039,243	588,277	45,492	40,748	7,668,740
2014	917,447	2,249,828	2,032,428	662,467	856,680	183,990	35,210	35,648	6,973,698

[1] Includes highway maintenance.

General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes [1]	Other Local Taxes	License, Permits and Privilege Fees	Fines and Forfeitures	Use of Money and Property	Intergovernmental			Miscella- neous	Total
						Common- wealth	Federal	Local- County		
2023	\$ 3,483,383	\$ 4,655,874	\$ 322,028	\$ 37,860	\$ 463,176	\$ 2,483,542	\$ 1,667,227	-	\$ 204,008	\$ 13,317,098
2022	3,225,845	4,431,744	343,360	39,789	432,942	2,342,812	921,615	-	141,239	11,879,346
2021	3,129,678	3,984,913	272,433	43,345	278,743	1,990,112	1,369,041	-	253,060	11,321,325
2020	3,031,047	3,576,266	104,934	43,739	404,317	2,669,598	1,077,665	-	2,995,212	13,902,778
2019	2,514,739	3,607,797	46,850	40,356	460,292	2,557,452	148,777	-	716,525	10,092,788
2018	2,524,997	3,454,719	35,938	55,144	334,010	1,909,206	427,941	-	208,605	8,950,560
2017	2,257,766	3,375,185	34,890	62,942	234,640	1,832,838	564,799	214,204	1,007,471	9,584,735
2016	2,381,837	3,181,704	23,075	68,527	271,179	1,779,637	635,740	-	2,686,650	11,028,349
2015	2,410,696	3,028,852	41,506	64,342	239,991	1,740,239	154,456	-	178,676	7,858,758
2014	2,407,227	2,747,988	19,043	73,753	205,654	1,720,439	384,334	-	87,147	7,645,585

[1] Includes penalties and interest.

Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Boats	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
2023	\$.19/\$100	\$1/\$100 \$.19/\$100[1]	\$.00/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2022	\$.19/\$100	\$1/\$100 \$.19/\$100[1]	\$.00/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2021	\$.19/\$100	\$1/\$100 \$.19/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2020	\$.19/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2019	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2018	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2017	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.38/\$100	\$.16/\$100	\$1/\$100
2016	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2015	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2014	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100

[1] Mobile home rate.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy [1][2]	Total Current Collections [1]	Percent of Levy Collected	Total Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes [3]	Percent of Delinquent Taxes to Tax Levy
2023	\$ 3,674,915	\$ 3,570,764	97.2%	\$ 80,929	\$ 3,651,693	99.4%	\$ 253,163	6.9%
2022	3,461,680	3,352,436	96.8%	47,775	3,400,211	98.2%	237,215	6.9%
2021	3,301,218	3,235,277	98.0%	81,930	3,317,207	100.5%	104,019	3.2%
2020	3,082,192	2,948,210	95.7%	40,816	2,989,026	97.0%	225,823	7.3%
2019	2,703,772	2,677,156	99.0%	35,608	2,712,764	100.3%	139,894	5.2%
2018	2,679,540	2,656,014	99.1%	50,846	2,706,860	101.0%	139,596	5.2%
2017	2,668,084	2,629,217	98.5%	40,649	2,669,866	100.1%	181,149	6.8%
2016	2,602,315	2,530,923	97.3%	25,179	2,556,102	98.2%	205,135	7.9%
2015	2,620,463	2,541,353	97.0%	62,029	2,603,382	99.3%	186,735	7.1%
2014	2,629,086	2,552,923	97.1%	49,288	2,602,211	99.0%	228,354	8.7%

[1] Exclusive of penalties and interest. Tax years 2014-2016 include VL tax as part of the personal property tax levy.

Exclusive of supplements and abatements of tax assessments

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

[3] Penalties are not included

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

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

Fiscal Year	Population	Assessed Value	Gross and Net Bonded Debt [3]	Less: Debt Payable from Enterprise Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2023	8,533 [1]	\$ 1,439,089,902	\$ 5,220,736	\$ 2,179,249	\$ 3,041,487	0.21%	\$ 356
2022	8,533 [1]	1,367,031,106	6,017,531	2,578,247	3,439,284	0.25%	403
2021	8,441 [2]	1,331,494,871	6,004,356	2,260,373	3,743,983	0.28%	444
2020	8,441 [2]	1,298,608,557	6,020,769	1,949,623	4,071,146	0.31%	482
2019	8,441 [2]	1,251,982,678	6,710,634	2,306,498	4,404,136	0.35%	522
2018	8,287 [2]	1,233,040,324	7,877,421	2,656,970	5,220,451	0.42%	630
2017	8,287 [2]	1,228,195,669	6,507,832	2,998,000	3,509,832	0.29%	424
2016	8,287 [2]	1,264,903,187	3,970,025	3,034,840	935,185	0.07%	113
2015	8,287 [2]	1,270,545,592	4,548,745	3,526,503	1,022,242	0.08%	123
2014	8,220 [2]	1,262,169,562	4,494,595	3,861,161	633,434	0.05%	77

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

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

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

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

Fiscal Year	Governmental Funds		Total Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to Expenditures
	Principal	Interest			
2023	\$ 507,727	\$ 66,089	\$ 573,816	\$ 11,644,313	4.93%
2022	463,248	67,843	531,091	10,444,677	5.08%
2021	427,171	92,884	520,055	10,699,459	4.86%
2020	397,643	87,928	485,571	13,633,186	3.56%
2019	882,258	105,400	987,658	11,029,709	8.95%
2018	271,485	119,401	390,886	9,913,910	3.94%
2017	90,800	50,367	141,167	11,980,358	1.18%
2016	87,057	45,097	132,154	9,271,264	1.43%
2015	45,492	40,748	86,240	7,668,740	1.12%
2014	35,210	35,648	70,858	6,973,698	1.02%

Computation of Legal Debt Margin
As of June 30, 2023

Total assessed value of taxed real property	\$	1,215,381,000
Debit limit - 10% of total assessed value	\$	121,538,100
Amount of debt applicable to debt limit - gross debt		<u>3,041,487</u>
Legal debt margin	\$	<u><u>118,496,613</u></u>

Compliance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Smithfield, Virginia, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Town of Smithfield, Virginia's basic financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates
(Charlottesville, Virginia
December 11, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Smithfield, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Smithfield, Virginia's major federal programs for the year ended June 30, 2023. Town of Smithfield, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Smithfield, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Town of Smithfield, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Smithfield, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

Report on Internal Control over Compliance: (Continued)

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

December 11, 2023

TOWN OF SMITHFIELD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/State Pass - through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation			
Pass-through payments:			
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	FSC-2022-52293/BSC-2023-53329	\$ 12,044
National Priority Safety Programs	20.616	FM6OT-2022-52257	6,665
Subtotal Highway Safety Cluster			\$ 18,709
Alcohol Open Container Requirements	20.607	Unknown	743
Total Department of Transportation			\$ 19,452
Department of Justice:			
Direct payments:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 2,010
Total Department of Justice			\$ 2,010
Department of Treasury:			
Pass-through payments:			
Virginia Department of Accounts:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	\$ 2,824,761
Total Department of Treasury			\$ 2,824,761
Total Expenditures of Federal Awards			\$ 2,846,223

TOWN OF SMITHFIELD, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal award activity of the Town of Smithfield, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Smithfield, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Smithfield, Virginia.

Note 2 - Basis of Accounting

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

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

Note 3 - Indirect Cost Rate

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

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,460,302
Highway Fund	206,925
Water Fund	809,834
Sewer Fund	369,162
Total Federal revenues per financial statements	<u>\$ 2,846,223</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 2,846,223

TOWN OF SMITHFIELD, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
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21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
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Dollar threshold used to distinguish between Type A and Type B programs	\$	750,000
Auditee qualified as low-risk auditee?	No	

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There were no prior year findings reported.