

TOWN OF SMITHFIELD, VIRGINIA



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

**TOWN OF SMITHFIELD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

Prepared by:

Ellen Minga, Town Treasurer

Town of Smithfield, Virginia

Town Council and Executive Officers

Mayor

T. Carter Williams

Town Clerk

Lesley M. Greer

Vice-Mayor

Michael G. Smith

Town Manager

Michael Stallings

Council Members

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

Treasurer

Ellen D. Minga

Chief of Police

Alonzo Howell

Committees

Finance

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

Public Works

Beth Haywood (CH)
Michael G. Smith
Renee Rountree

Water and Sewer

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

Public Buildings and Welfare

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

Public Safety - Police

Renee Roundtree (CH)
Wayne Hall
Beth Haywood

Parks and Recreation

Wayne Hall (CH)
Valerie C. Butler
Beth Haywood

Isle of Wight Tourism Bureau

Renee Rountree
T. Carter Williams

Smithfield Planning Commission

Randolph H. Pack

Intergovernmental

T. Carter Williams
Michael G. Smith

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Smithfield, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 on pages 4-17, 75-76, and 77-85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Smithfield, Virginia's basic financial statements. Supporting schedules and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021, on our consideration of the Town of Smithfield, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Town of Smithfield, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 8, 2021

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Management's Discussion and Analysis
Fiscal Year July 1, 2020 - June 30, 2021

The following discussion provides an overview and analysis of the Town of Smithfield, Virginia's (Town's) financial activities for the fiscal year ended June 30, 2021. This information should be read in conjunction with the Town's audited financial statements as reported herein.

FINANCIAL HIGHLIGHTS

- The net position of the Town increased by \$358,085 which represents .7% increase over FY2021 (total net position-government-wide).
- The Town received federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding totaling \$986,647 to reimburse unbudgeted expenses directly resulting from the COVID-19 pandemic in the United States.
- The Town continued progress on the 4th and final phase of the Pinewood Heights Redevelopment Project expending \$965,727 in FY2021 for acquisition of 4 properties and relocation of 2 homeowners and 5 renters. The Town was reimbursed \$249,071 from the Virginia Department of Housing and Community Development (VHCD) for this community development block grant (CDBG) project.
- The Town purchased a new VAC Truck for \$460,998 to replace its aging unit. The VAC truck allows for efficient, cost effective, and safe removal of liquids and sludge for transport to the Hampton Roads Sanitation District for proper disposal and treatment.
- The Town completed the relining of Well #8A totaling \$384,664 and began sewer line and water main replacements on Grace Street totaling \$592,710 and \$232,866 respectively.

Overview of the Financial Statements

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

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

Government-wide financial statements

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

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

FINANCIAL HIGHLIGHTS: (CONTINUED)

Government-wide financial statements: (Continued)

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

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

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

Fund Financial Statements

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

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

Because the governmental funds statements present a more current focus than the information in the government-wide financial statements, a comparison between the two statements is a valuable tool for readers to understand the possible long-term impact of the government's recent financing decisions. Reconciliations of the governmental funds balance sheet and statement of revenues, expenditures, and changes are shown in Exhibits 4 and 6 on pages 22 and 24 to compare governmental funds to governmental activities.

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

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

Supplementary Information - In addition to the basic financial statements and accompanying notes, this report also contains schedules of budget comparisons, pension funding progress, supporting schedules and other statistical information found on pages 75 through 108.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Town of Smithfield, Virginia
Summary of Net Position
As of June 30, 2021

	Governmental Activities		Business-Type Activities		Total	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Current and other assets	\$ 17,381,165	\$ 12,485,510	\$ 7,224,012	\$ 8,948,072	\$ 24,605,177	\$ 21,433,582
Capital assets	29,747,789	30,035,375	15,538,812	14,194,339	\$ 45,286,601	\$ 44,229,714
Total assets	\$ 47,128,954	\$ 42,520,885	\$ 22,762,824	\$ 23,142,411	\$ 69,891,778	\$ 65,663,296
Deferred outflows of resources	\$ 1,367,632	\$ 638,192	\$ 256,234	\$ 127,407	\$ 1,623,866	\$ 765,599
Long-term liabilities outstanding	\$ 5,306,726	\$ 4,989,713	\$ 2,906,558	\$ 2,042,065	\$ 8,213,284	\$ 7,031,778
Other liabilities	5,746,400	1,066,831	259,886	244,288	\$ 6,006,286	\$ 1,311,119
Total liabilities	\$ 11,053,126	\$ 6,056,544	\$ 3,166,444	\$ 2,286,353	\$ 14,219,570	\$ 8,342,897
Deferred Inflows of Resources	\$ 2,427,805	\$ 2,482,806	\$ 8,549	\$ 37,870	\$ 2,436,354	\$ 2,520,676
Net position:						
Net investment in capital assets	\$ 25,686,339	\$ 25,813,746	\$ 12,817,441	\$ 12,259,196	\$ 38,503,780	\$ 38,072,942
Restricted	310,838	372,195	3,424,674	3,200,895	\$ 3,735,512	\$ 3,573,090
Unrestricted	9,018,478	8,433,786	3,601,950	4,421,817	\$ 12,620,428	\$ 12,855,603
Total net position	\$ 35,015,655	\$ 34,619,727	\$ 19,844,065	\$ 19,881,908	\$ 54,859,720	\$ 54,501,635

The FY2021 combined net position for the Town totaled \$54,884,358 an increase of .7% over FY2020. The largest portion (70%) represents investments in capital assets, net of related debt used to finance the assets. These capital assets include land, buildings, machinery, and equipment. They are used to provide services to citizens; thus, they are not available for future spending. This net investment increased by \$430,838 in FY2021 as new debt was incurred to purchase a VAC Truck and lease-purchase 7 police vehicles. Restricted assets of \$3,735,512 comprise 7% of total net position and increased by \$162,422 (5%) over prior year resulting from a decrease of \$61,357 in governmental activities and an increase of \$223,779 in business activities. The restricted assets for governmental activities (\$310,838) represent donated and/or designated funds specifically for the Pinewood Heights Redevelopment Project, the Smithfield Police Department, SNAP (Supplemental Nutrition Assistance Program), and highway maintenance. The business-type activities total of \$3,424,674 includes its debt service (\$885,330), water deposit (\$13,540) and sewer compliance (\$2,525,804) escrow funds. The debt service fund has been in place since FY2005 and is used to retire the debt obligation for the Town's newest water storage tank finished in FY2011 and the water treatment plant (RO) that was completed in FY2012. Utility deposits were added to the Town Code in FY2014 to reduce the Town's losses from unpaid bills and are refundable after 6 billing cycles without delinquent payment. The sewer compliance fee was adopted on August 4, 2009 to fund expenses resulting from the regional sanitary sewer consent order. The consent order is an ongoing project that has progressed from its initial implementation phase to now include "find and fix" projects on an annual basis. Unrestricted funds of \$12,620,428 make up 23% of total net position and decreased by \$235,175 (1.8%) from prior year. Included in this category for governmental activities are reserves and unrestricted investments that may be used to meet the Town's ongoing financial needs. Water and sewer capital escrow funds and development escrow funds are also categorized as unrestricted and are made up of availability fees and pro-rata share fees collected prior to construction that may be used to repair or replace existing infrastructure as well as offset capital expenses related to new growth when needed.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities. The following table shows a detailed summary of the revenues and expenses for governmental and business-type activities for 2021 as compared to 2020:

Town of Smithfield, Virginia Changes in Net Position As of June 30, 2021						
	Governmental Activities		Business-Type Activities		Total	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Revenues:						
Program Revenues:						
Charges for services	\$ 315,778	\$ 148,673	\$ 3,038,262	\$ 2,847,287	3,354,040	2,995,960
Operating Grants and Contributions	2,766,708	2,495,025	6,523	-	2,773,231	2,495,025
Capital Grants and Contributions	150,837	3,702,277	417,280	194,180	568,117	3,896,457
General Revenues:						
Property taxes	3,031,225	3,129,739	-	-	3,031,225	3,129,739
Other taxes	3,984,913	3,576,266	-	-	3,984,913	3,576,266
Unrestricted revenues from the use of money and property	278,743	404,317	12,650	41,245	291,393	445,562
Miscellaneous	253,060	100,136	100,683	40,740	353,743	140,876
Grants and contributions not restricted to specific programs	441,608	445,037	-	-	441,608	445,037
Total revenues	\$ 11,222,872	\$ 14,001,470	\$ 3,575,398	\$ 3,123,452	\$ 14,798,270	\$ 17,124,922
Expenses						
General government administration	\$ 1,807,433	\$ 1,324,043	\$ -	\$ -	\$ 1,807,433	\$ 1,324,043
Public safety	2,840,138	2,687,945	-	-	2,840,138	2,687,945
Public works	2,846,710	2,648,183	-	-	2,846,710	2,648,183
Parks, recreation and cultural	1,830,395	1,931,278	-	-	1,830,395	1,931,278
Community development	1,401,742	1,458,373	-	-	1,401,742	1,458,373
Interest on long-term debt	100,526	86,375	-	-	100,526	86,375
Water fund	-	-	2,513,706	1,878,610	2,513,706	1,878,610
Sewer fund	-	-	1,099,535	1,064,151	1,099,535	1,064,151
Total expenses	\$ 10,826,944	\$ 10,136,197	\$ 3,613,241	\$ 2,942,761	\$ 14,440,185	\$ 13,078,958
Increase (decrease) in net position	\$ 395,928	\$ 3,865,273	\$ (37,843)	\$ 180,691	\$ 358,085	\$ 4,045,964
Net position-beginning of year	\$ 34,619,727	\$ 30,754,454	\$ 19,881,908	\$ 19,701,217	\$ 54,501,635	\$ 50,455,671
Net position-end of year	\$ 35,015,655	\$ 34,619,727	\$ 19,844,065	\$ 19,881,908	\$ 54,859,720	\$ 54,501,635

Program revenues for governmental activities make up 27% of total revenues and are comprised of charges for services (10%), operating grants and contributions (85%), and capital grants and contributions (5%). Charges for governmental activities services which includes permits, review fees, inspection fees, refuse collection fees, DMV stops, and fines and forfeitures increased by \$167,105 over prior year. The largest increase was the addition of a refuse collection fee billed to residents and businesses on their 2020 real estate tax bills. This revenue totaled \$213,404 and is used to recover the contracted cost of refuse collection and disposal services. This new revenue was offset by a decrease of \$55,870 in rezoning permits. In FY2020, one rezoning permit totaling \$55,870 was paid by a developer for a proposed new development. Other notable changes were increases in inspection fees (\$10,200), zoning permits (\$3,785) and E&S fees (\$2,950) offset by a decrease of review fees (-\$8,425). Operating grants and contributions of \$2,766,708 increased \$271,683 from prior year and consists of state highway maintenance funds (\$1,289,244), public safety grants (\$240,638), community development grants (\$249,071), cultural grants (\$4,500), CARES Act funding (\$979,788), and a litter prevention grant (\$3,132). The annual state highway maintenance funds increased 41,998 (3%) from FY2020 and were used to maintain street surfaces, manage storm water ditching and drainage, and support highway safety and beautification. Included in the public safety grants are annual 599 funds from the state

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

(\$193,096) that are used to supplement the cost of law enforcement, a fire programs grant that is passed through to the Smithfield Volunteer Fire Department (\$30,827), and federal police grants (\$16,715) for operations. The community development operating grant represents the reimbursable portion of the Pinewood Heights CDBG Redevelopment Project. The contract with the Virginia Department of Housing and Community Development (DHCD) dedicated \$1,000,000 in grant money for acquisition of properties and relocation of residents and as of year-end 2021, grant funds remaining totaled \$137,358. Federal CARES Act funding of \$979,788 was used to reimburse unbudgeted costs for personal protective equipment, disinfecting supplies, public safety equipment, and other pandemic related expenses. The most significant change in program revenues occurred in capital grants and contributions which decreased \$3,471,440 from 3,702,277 in FY2020 to \$230,837 in FY2021. In FY2020, the Town recorded contributions of \$80,000 specifically designated for the public sports complex including \$50,000 from Isle of Wight County for the 4th payment of its 5- year commitment toward the project and \$30,000 from Smithfield Recreation Association (SRA) for the 1st of a 10- year commitment totaling \$300,000. The Town also accepted improvements to the manor house and outbuildings at Windsor Castle Park (WCP) valued at \$2,590,580 and related tax credits of \$224,496 donated by Historic Windsor Castle Restoration. Finally, the Town received \$807,201 in VDOT reimbursements for its right-turn lane (\$749,316) and intersection improvement alternatives analysis (\$57,885) projects. In 2021 the Town received the final payment of \$50,000 from Isle of Wight County and the 2nd of 10 payments from SRA of \$30,000 for the public sports complex. The Town also received VDOT reimbursements of \$150,837 for the intersection improvement alternatives (\$93,101) and the South Church Street Segment 3 Alternatives Analysis (\$57,736).

A significant revenue source for the Town has always been general property taxes. FY2021 was not a reassessment year so value changes resulted from new construction and renovation or demolition of previously assessed property.

	FY2021	FY2020
Real estate tax revenue	\$ 2,223,250	\$ 2,330,489
Public Service corporation property taxes	38,118	35,285
Personal Property taxes	815,044	721,896
Penalties and interest	53,266	42,069
Total	\$ 3,129,678	\$ 3,129,739

Tax assessments for the Town are received from the Isle of Wight County Commissioner of Revenue. Real estate and personal property taxable assessments for FY2021 totaled \$1,181,904,153 and \$149,590,718 respectively, excluding any subsequent supplements and abatements, compared to \$1,159,764,679 and \$138,843,878 for FY2020. The increase in real estate taxable assessments resulted from a decrease in qualifying exemptions for veterans/elderly as well as new construction.

Other local taxes increased significantly by \$408,647 (11%) for the year and include transient occupancy taxes, sales taxes, utility taxes, cigarette taxes, meals taxes, franchise taxes, business license taxes, and vehicle license taxes. Utility taxes and cigarette tax stamps were the only local tax categories that declined. Transient occupancy taxes of \$187,627 reflected a small increase of \$4,725. The lodging industry has been greatly impacted by the pandemic and is rebounding very slowly even as travel limitations have eased. Sales taxes increased by \$76,589 over FY2020 as online shopping continued to grow and legislative changes allowed the state to collect sales taxes on purchases with out-of-state sellers. Meals tax revenues of \$2,038,190 increased notably (\$235,885) over FY2020's total of \$1,802,305 indicating that consumers were optimistic and anxious for a return to their pre-pandemic lifestyles. The Town continues to dedicate 32% of meals tax revenues (\$652,221) to the Pinewood Heights Relocation Project to fund its portion of required leverage. Bank franchise taxes of \$154,541 rose \$38,543 with 3 of the Town's 5 banking institutions posting an increase from prior year. Also, an overpayment refund of \$21,681 was paid to Truist bank in FY2020, but no refunds were issued in FY2021. Business license taxes of \$399,293 increased by \$37,037 which was another encouraging sign specifically for the Town's local economy. Vehicle license taxes are billed with personal property taxes at a

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

rate of \$33 per qualified vehicle and \$18 per qualified motorcycle. Collections for this tax increased from \$218,872 in FY2020 to \$263,874 in FY2021. Of those collections, 16% were delinquent balances that were paid after DMV stops resumed. Utility taxes are imposed and levied monthly on each purchase of natural gas or electricity delivered to consumers. Fluctuations tend to be small and historically changes in value impact utility tax and consumption tax similarly. The past two years have been an exception. In FY2021, consumer utility tax decreased by \$10,489 while consumption tax increased by \$5,857 for a net decrease of \$4,632. This change was a flip from prior year when utility tax increased (\$8,869) and consumption tax decreased (\$216). Cigarette tax stamp sales in 2021 also decreased by \$24,449 and included a refund to Super Rite Food of \$7,083 for unused or damaged stamps.

Unrestricted revenue from use of money and property represents interest income, lease income, property rental income, event rental income, gift shops sales, fingerprinting, and special events labor reimbursement. revenues in this category decreased \$125,574 (-31%) from FY2020. The account recording the largest decrease (-\$63,589) was Smithfield Center Rentals which decreased from \$167,057 in FY2020 to \$103,468 in FY2021. As event venues began to reopen, gathering restrictions were still in place to promote social distancing. Those restrictions started to ease in the last quarter of the year particularly for outdoor events as vaccinations became available. Also, for the second consecutive year, interest revenue decreased significantly (-\$62,031). Interest rates on Town sweep accounts dropped from a high of 2.27% in 2020 to a flat .25% in 2021.

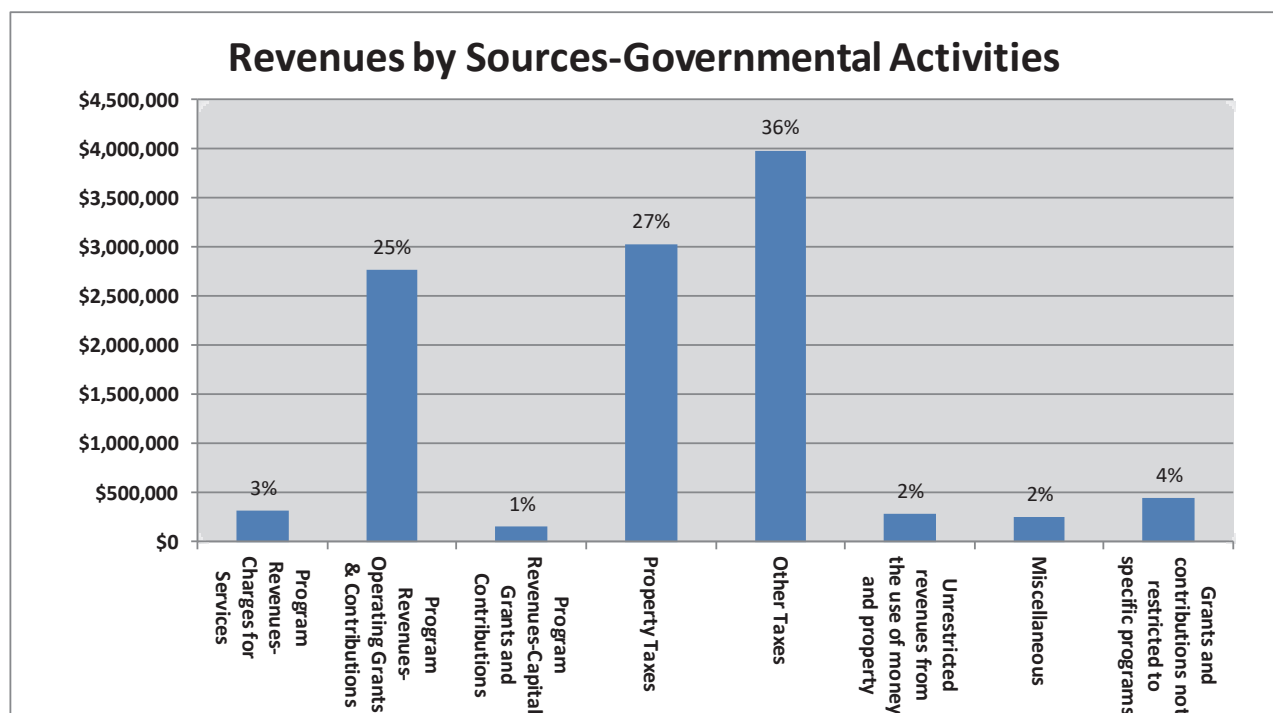
Miscellaneous revenues for FY2021 totaled \$173,060 and are made up of insurance proceeds, sale of copies, returned check charges, accident report fees, capital credit refunds, sale of property and equipment, and contributions from citizens, businesses, and non-profit organizations. Contributions for the museum (\$81,245) comprised 47% of this category for FY2021 and included \$79,602 from Isle of Wight County for reimbursement of 50% of the museum's annual operating costs. Donations of \$1,335 for CHIP (Community Help in Progress) and \$150 for local citizens assistance, both sponsored by the Smithfield Police Department, as well as a safety grant (\$4,000) from the Town's insurance provider were also recorded in 2021. The Town received \$26,128 in insurance reimbursements from its provider, the Virginia Risk Sharing Association (VRSA) for claims pertaining to damages to town property. In addition to contributions and reimbursements, the Town received \$59,790 from the sale of retired equipment and the trade-ins of 7 retired police vehicles.

Grant contributions not restricted to specific programs include the state's annual personal property tax relief contribution, communications tax allocations, rolling stock, mobile home tax, short-term rental taxes, P2P vehicle sharing, and State Game of Skills tax. The personal property tax relief of \$240,794 is a fixed amount that is received from the Commonwealth of Virginia in August of every year. Communications taxes are collected by the state as well and then allocated to each locality based on a percentage that was calculated when the tax was removed from the local level and redirected to the state. Revenues vary depending upon taxes collected and deductions applied by the state. Communications taxes of \$174,279 for FY2021 decreased \$21,931 from FY2020 marking a decline for the eighth consecutive year. Rolling stock, mobile home tax, and short-term rental tax collectively totaled \$5,745 which was 28% lower than the prior year total of \$8,033. Two new taxes were collected in FY2021 with the P2P Vehicle Sharing Tax (\$9.68) and the State Game of Skills Tax (\$18,144). Skill games are slot machine-like electronic devices found in convenience stores and other businesses. This tax is expected to be temporary as the games are likely to be banned in Virginia.

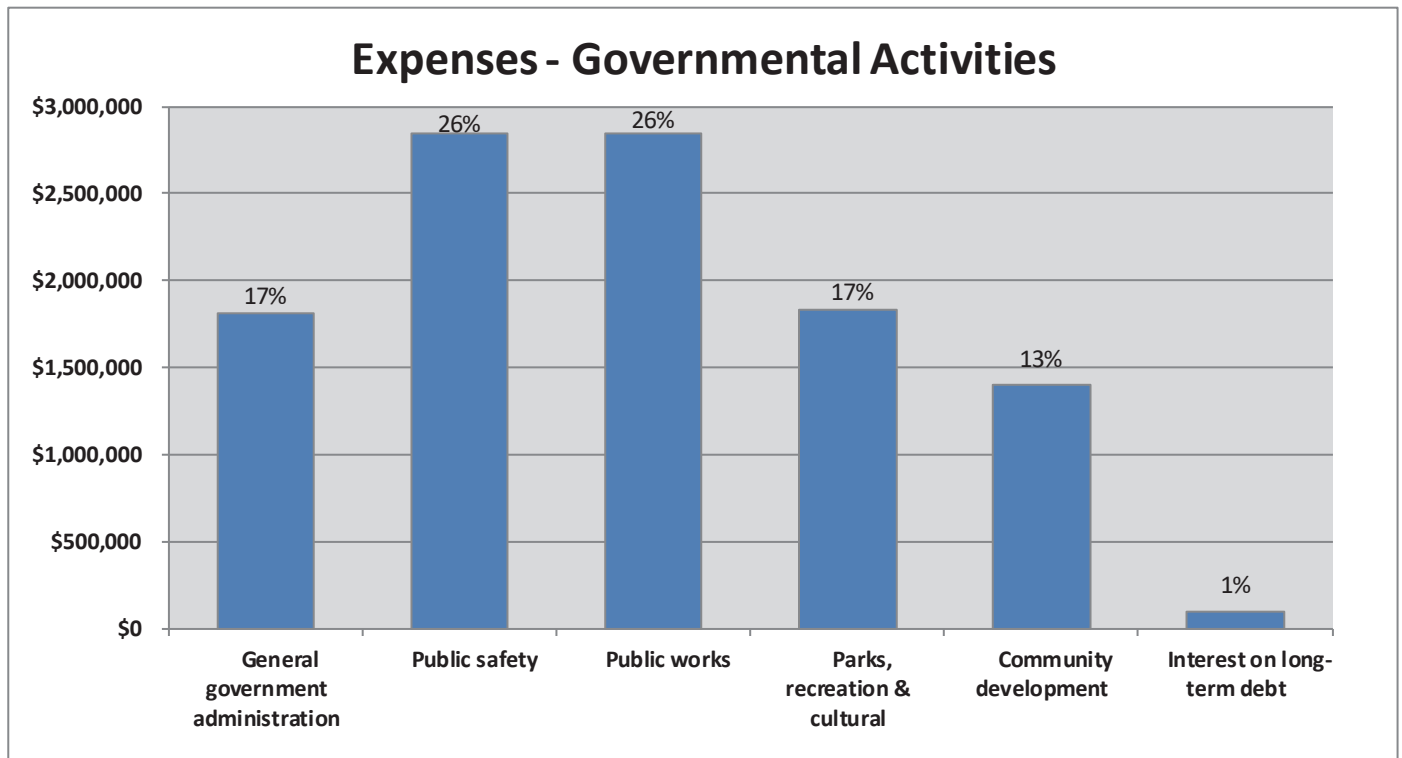
Total expenditures for FY2021 governmental activities equaled \$10,801,211 compared to \$10,136,197 for FY2020, an increase of \$665,014 (6%). These expenses are categorized as general government administration, public safety, public works, parks, recreation, and cultural, community development, and interest on long term debt. General government expenditures increased \$483,390 over FY2020. The increases in areas such as COVID-19 expenses (\$438,449), Virginia Retirement Plan pension costs (\$27,511) and Computer & Technology Services IOW (\$81,000) were offset by savings in legal services (-\$18,095) and professional services (-\$42,410). COVID-19 expenses were tracked for reimbursement as a pass through from IOW County. Of the increase, \$418,439 was attributable to small business grants and programs to encourage economic recovery.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Pension contribution increases resulted from the Town's election to increase the hazardous duty multiplier for all sworn officers as allowed in the Virginia Retirement System. This rate increase from 8.79% to 9.45% impacted the contribution for all departments. The Computer & Technology-IOW expense of \$81,000 was reclassified from Public Buildings in FY2020 to General Government in FY2021 and decreased \$13,500. Legal fees were also lower in 2021 as billable hours dropped from prior year. Professional services included on-site support for interim Town Manager services for almost 6 months in FY2020. This expense was eliminated in FY2021 with the hiring of a full time Town Manager in April 2020. Public safety and public works (including highway maintenance) are the largest cost centers and accounted for 53% of total costs. Public safety increased by \$152,193 due to changes in COVID-19 allowable expenses (\$264,838) and E911 dispatch (\$102,357). The largest portion of COVID allowable expenses included software and equipment to enhance virtual training and remote resources. These expenses were offset by a savings of \$89,990 in salaries and benefits due to officer vacancies as well as smaller savings in fuel, vehicle maintenance, and property insurance. Public Works ended the fiscal year with a 7% increase in costs (\$198,527). This change resulted from increases in highway maintenance (\$201,322), and COVID expenses (\$152,938) offset by decreases in Computer & Technology IOW (\$-94,500) and recycling services (\$-66,321). Highway maintenance increased as carryforward state grant funds from FY2020 were applied to FY2021 allowable expenses. COVID expenses for 2021 included building modifications and HVAC improvements to promote social distancing and air quality as well as sanitations supplies. As explained under General Government, the cost of Computer & Technology-IOW services was charged to Public Buildings in 2020 but reallocated to Town Manager in FY2021. Recycling services were discontinued in January 2021 saving the Town over \$66,000 for the current year. Parks, recreation, and cultural reflected a decrease in expenditures of \$100,883. In FY2020, the Town contributed \$250,000 towards the Windsor Castle restoration project to finish that funding commitment. To offset those savings in FY2021, professional fees increased by \$135,684 for delayed contractor improvements completed at the Luter Sports Complex (\$92,053) and preliminary engineering services for the Waterworks Dam Lake alternatives (\$43,631). Community Development reflected a 4% decrease for the fiscal year (\$-82,364) as Phase IV of the Pinewood Heights Redevelopment Project progressed with 4 property acquisitions and 7 resident relocations totaling \$965,727 in costs compared to \$1,088,901 in prior year. The Town's 2021 contribution towards Tourism, a shared service with Isle of Wight County, increased \$33,147 over prior year; however, tax relief for veterans/elderly/disabled decreased by \$42,553. This relief is recognized as a community development cost to the Town. Increases in Christian Outreach (\$23,350) and Western Tidewater Free Clinic (\$35,083) contributions resulted from COVID available funding. Interest on long-term debt increased \$14,151 as the Town refunded debt to avoid a future balloon payout and increased interest rates.



GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

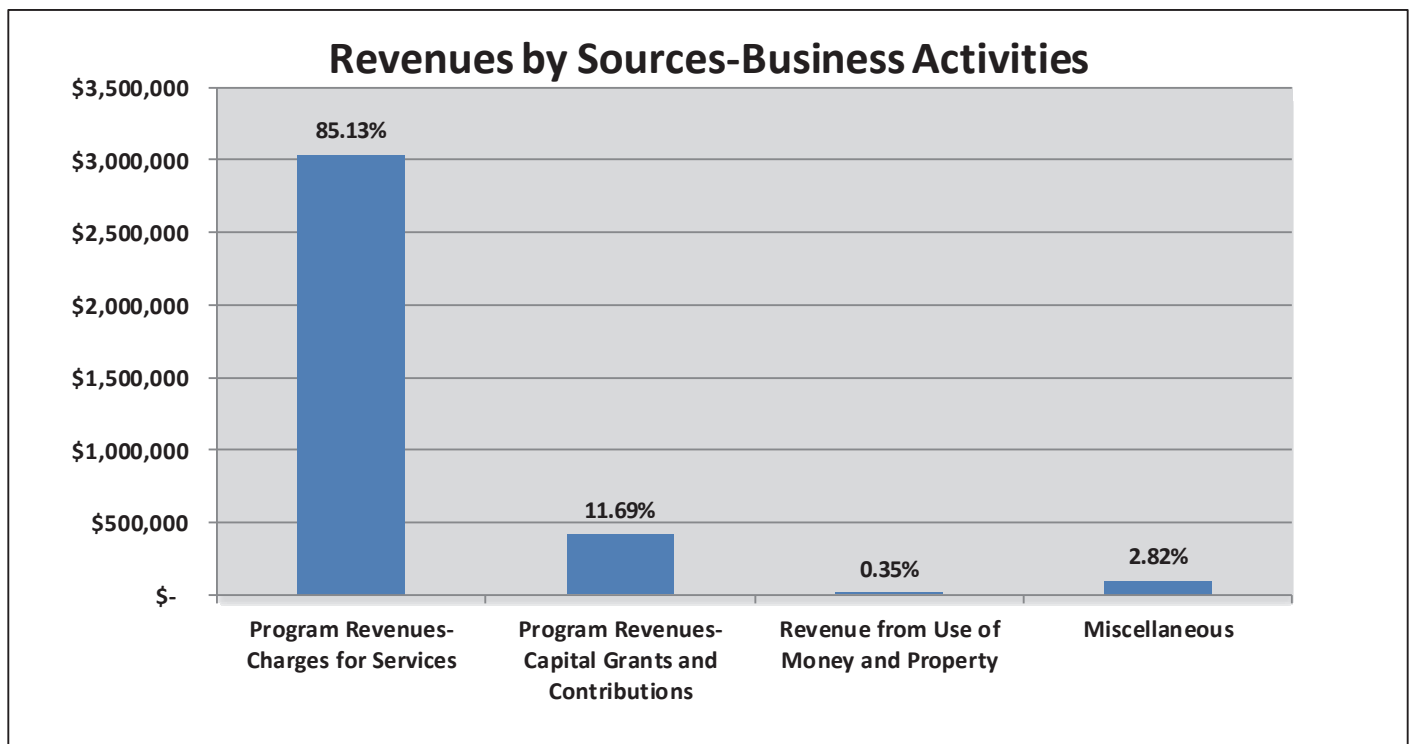


Business-Type Activities. The business-type activities show a decrease in net position of \$37,843 for FY2021. Program revenues include charges for services that decreased by \$190,975, operating grants and contributions that increased by \$6,523, and capital grants and contributions that increased by \$223,100. Included in charges for services are utility charges, bulk water sales, connection fee, debt service fees, and sewer compliance fees. Combined water and sewer consumption charges increased by \$108,722 due to a rate change of 3.5% effective January 1, 2021. An increase was reflected in both the sewer fund (\$44,810) and the water fund (\$63,912). The sewer rate increased from \$3.61 to \$3.74 per 1,000 gallons while the water rate increased from \$6.33 to \$6.55 per 1,000 gallons. The town also has periodic requests from contractors for bulk water purchases which totaled \$7,714 for FY2021. Connection fees increased by \$72,540 with the installation of 59 residential meters (5/8") in FY2021 as compared to 25 residential meters and one commercial upgrade (1") in FY2020 indicating a resurgence of new construction even as the cost of materials soars. Debt service fees and sewer compliance fees reflected a combined increase of \$5,415 for the year. They are fixed costs that are not driven by consumption, and therefore tend to remain stable unless there is a significant change in rates or a sizable fluctuation in the number of active accounts. No rate changes were made to the debt service or sewer compliance fees in FY2021. The utility funds do not often receive operating grants and contributions, but \$6,523 of COVID qualifying reimbursements were recorded in FY2021. Capital Grants and Contributions include availability fees and pro-rata share fees. Like connection fees, availability fees are tied directly to growth and are generally collected at the same time as connection fees. Availability fees increased from \$189,380 in FY2020 to \$407,680 in FY2021 as 34 more residential meters were installed. Availability fees are deposited into the Water and Sewer Capital Escrow Funds and are used for capital maintenance on existing infrastructure and to finance new infrastructure when needed. Pro-rata share fees also increased from \$4,800 last year to \$9,600 in FY2021. These fees are paid by developers at the time that plats are recorded and are assessed at \$1200 for water and \$1200 for sewer per lot. Pro-rata share fees are designated for capital expenditures resulting from new growth and are deposited in the Water and Sewer Development Escrow Funds. Included in general revenues for water and sewer are unrestricted revenues from the use of money and property (interest income) and miscellaneous revenues. Interest income decreased \$28,595 while miscellaneous revenues of \$100,683 increased by \$59,943 from FY2020. Miscellaneous revenues represent application fees for water service (\$9,178), gain on disposal of asset (\$6,408), and insurance recoveries (\$85,097). Insurance was collected as reimbursement for pump station damages due to flooding and lightning, fire hydrant damages, and loss of a Public Works vehicle.

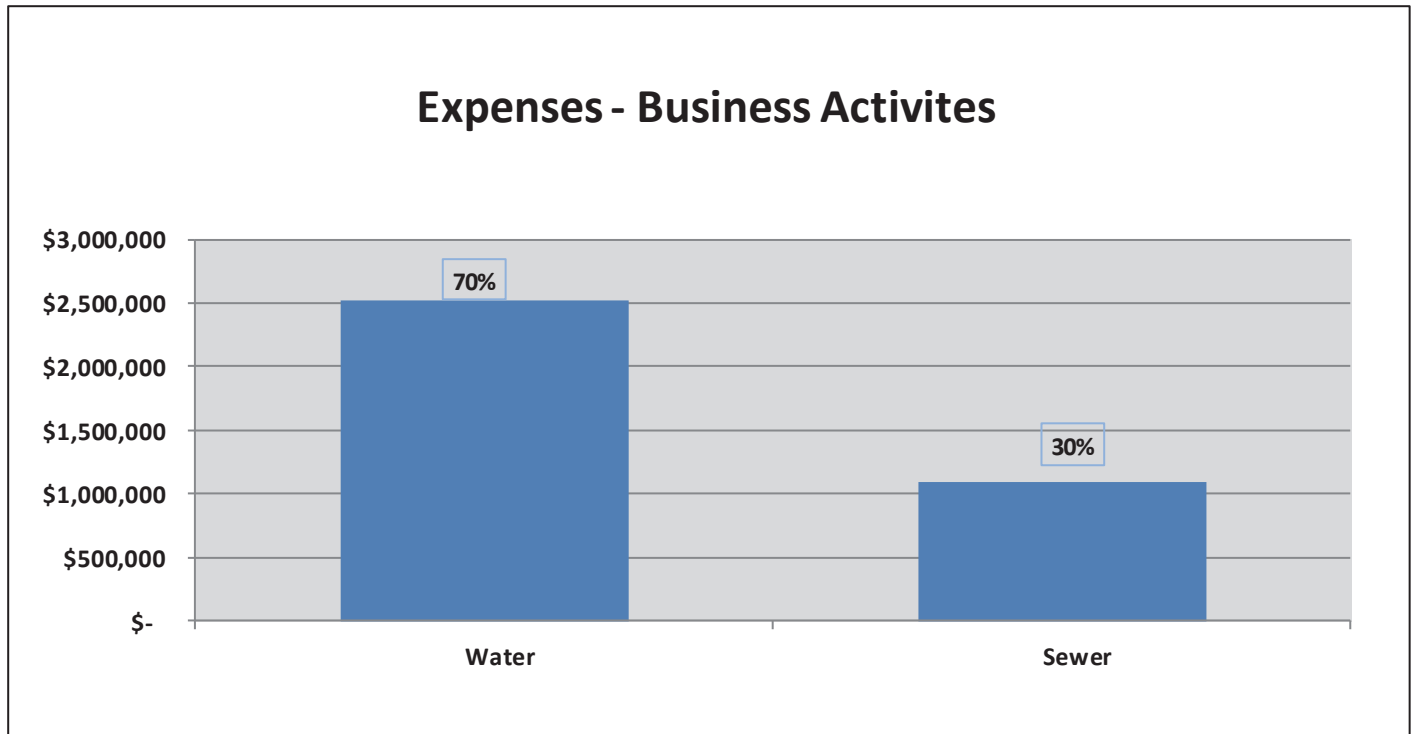
GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

Expenditures increased \$670,480 for the year with increases in both water (\$635,096) and sewer (\$35,384). The most significant expenditure in the water fund was maintenance on the South Church Street water tank totaling \$618,810. The water fund also recorded bond issuance costs of \$61,850 and increases in salaries (\$31,685), RO maintenance costs (\$53,494) and depreciation expense (\$18,402). These expenditures were offset by a decrease in contributions of \$143,478. The Town made this contribution to Smithfield Foods in FY2020 for its portion of installation costs for well nests required by the Department of Environmental Quality (DEQ). The most notable sewer fund changes included increases in salaries and benefits (\$16,301), pump replacement and conditioning (\$27,440), and bond issuance costs (\$17,205) offset by savings in materials and supplies (-\$19,639) and repairs & maintenance (-\$22,374). Materials and supplies decreased as inventory items were replenished to address maintenance needs in the coming year. Repairs and maintenance declined for the second consecutive year as sewer pump replacements and repairs were charged to a separate line item for tracking purposes.

The Town's current utility rate structure is based on "usage only" with fixed costs added to address sewer compliance and water debt service expenses. The Town's current sewer rate was adopted as of January 1, 2021, and is billed at \$3.72 per 1,000 gallons used. In addition, a fixed cost of \$18.62 is added to each bi-monthly bill for sewer compliance expenses. Also, as of January 1, 2021, the Town Council approved a water rate of \$6.55 per 1,000 gallons used and a fixed bi-monthly debt service fee of \$11.47. The only exception to the water billing structure is the rate charged to Isle of Wight County (\$6.50) in lieu of a separate usage rate and debt service fee. That rate is based on the prevailing rate per 1,000 gallons as set by Isle of Wight County through its membership with the Western Tidewater Water Authority and may be amended from year to year. Consumption and utility revenues are presented to the finance committee each month with the financial statements to ensure that revenues are adequate to meet both operating and capital needs.



GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds. The Town's governmental funds relay information on current sources and uses of spendable resources, as well as on the balances of spendable resources available at fiscal year end. The fund balances of total governmental funds equaled \$9,119,265 for FY2021, of which \$89,150 is nonspendable, \$105,914 is restricted, \$803,464 is committed, \$8,108 is assigned, and \$8,120,737 is unassigned.

General Fund. The general fund is the Town's primary operating fund for all governmental activities. Total fund balances for FY2021 equaled \$9,119,265 which is an increase of \$960,580 from prior year. The fund balances consist of: nonspendable fund balance of \$89,150, restricted fund balance of \$105,914, committed fund balance of \$803,464, and unassigned fund balance of \$8,120,737.

Highway Maintenance Fund. The highway maintenance fund is used to track receipts from the Commonwealth of Virginia that are specifically designated for road maintenance and to identify allowable expenses that may be charged against state revenue. Restricted fund balance of \$204,924 for FY2021 is a decrease of \$71,722 from a total fund balance of \$276,646 in FY2020. Ideally, the fund balance of highway maintenance should approach zero as grant funds from the state are required to spent in the same year they are allocated.

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS: (CONTINUED)

Proprietary Funds. The Town's only proprietary funds are its water and sewer funds which provide the same type of information included in the government-wide financial statements but in more detail. As of 2021 the combined total assets of the proprietary funds equaled \$22,787,462 which is a 3% increase from FY2020. Current and other assets decreased \$635,735 from prior year and included cash and cash equivalents, receivables net of allowances for uncollectible accounts, due from other funds, due from other governmental units, inventory, restricted assets, and net pension asset. Cash and Cash Equivalents decreased by \$382,770 for the water fund and \$124,705 for a total of \$507,475. Due from other funds decreased \$218,646 as intercompany receivable between the water and sewer funds was reduced. Receivables net of allowances increased \$171,056 as unbilled receivables were \$62,575 higher than prior year and customer receivables increased by \$108,482 with the moratorium on disconnections. Restricted assets also increased \$223,778 as sewer compliance spending on "find and fix" projects totaling \$215,966 was well below the \$411,841 collected during the year. Inventories increased by \$27,467 due to restocking and a rise in prices. A net pension asset of -\$95,502 was also recorded as required by GASB 68 Accounting and Financial Reporting for Pensions which was a decrease of \$223,764 over prior year. Finally, a receivable due from other governmental units dropped slightly (-\$2,543). Total capital assets increased by \$1,344,473 as accumulated depreciation increased by \$730,142 but was offset by a larger increase of \$2,074,615 in gross asset value.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's FY2021 budget was adopted by Town Council at a special meeting held on June 22, 2020. It was appropriated at the July 7, 2020, Town Council meeting effective as of July 1, 2020. The Town Council also approved several appropriation resolutions during the fiscal year totaling \$724,195. These appropriations addressed federal CARES Act allocations (\$533,235), a negotiated payment to the contractor of the Luter Sports Complex (\$175,000), and the paving of the basketball court at Jersey Park (\$15,960). Budgeted general fund revenues totaled \$10,473,010 for the year, but actual revenues equaled \$14,108,368. The categories reflecting the most significant variances from budget are General Property Taxes (\$182,425), Other Local Taxes (\$679,248), Other Financing Sources (\$4,043,714), Revenues from Use of Money and Property (-\$144,242), categorical aid from the Commonwealth (-\$920,725), and categorical aid from the federal government (-\$262,849). Property taxes are projected based upon expected development, reassessments, and the general state of the economy. Although not a reassessment year, the Town's 2021 tax base was higher than budgeted. Real estate taxes exceeded budget by \$69,749 including delinquent collections and associated penalty and interest. The Town did add new homes to its tax base in 2021 accounting for much of the increase (\$54,790). The personal property budget excess of \$109,842 included elevated assessments of used vehicles as well as delinquent collections (\$41,519). The largest increase was recorded in Other Financing Sources as the Town issued a General Obligation Refunding Bond of \$4,176,000 of which \$3,871,000 was allocated to General Fund and \$305,000 to the Water Fund. The purpose of the refunding of the original note was to lock in a favorable interest rate and avoid a balloon payment. The decrease in Revenue from the Use of Money and Property resulted from a drop in sweep account interest rates from a high of 2.25% in FY2020 to .25% in FY2021 (-\$46,079). In this category, rental revenues from Parks and Recreation were also lower than budgeted (-\$98,088) as cancellations and gathering restrictions continued for most of the fiscal year. Categorical aid from the Commonwealth and Categorical aid from the federal government both were significantly under budget as the Benns Church Intersection Improvements and the South Church Street Alternatives Analysis projects both made slow progress during the year. The Benns Church intersection improvement was budgeted for FY2021 construction, but construction did not start until FY2022.

Highway revenues from the Commonwealth of Virginia were budgeted at \$1,247,245, but actual receipts for the year totaled \$1,289,244, allotting the Town an additional \$41,999 for street maintenance. The highway fund also received \$24,792 in reimbursements from the Virginia Risk Sharing Association (VRSa) for damage to a storm water pipe (\$6,206) and the loss of a Public Works Vehicle (\$18,586).

GENERAL FUND BUDGETARY HIGHLIGHTS: (CONTINUED)

Total budgeted general fund expenses for FY2021 equaled \$10,631,895 while actual spent was \$13,147,794. The most notable function to exceed budget was Other Financing Uses (\$3,834,667). As discussed in Other Financing Sources above, the Town issued refunding bonds to save on future debt service payments. In FY2021, the town recorded \$3,834,667 as payment to refunded bond escrow agent to pay off the general fund portion of the loan. The Town did recognize savings in other areas such as Treasurer (\$87,750) and Police Department (\$243,463) salaries and benefits due to vacant positions. Those positions will remain in the budget for FY2022 with the expectation that they will be filled. The Public Works department also recognized savings of \$146,687 as recycling was discontinued in January 2021 (-\$70,649) and Shared Services-Inspection Fees IOW was not billed for 2021 (-\$103,557). The only other area that reflected significant budget savings was capital outlay (\$758,095). Capital was budgeted at \$1,312,563 but actual was only \$554,468. The ongoing difficulties with the MUNIS conversion in the Treasurer's department accounted for \$106,976 of those savings. Also, the VDOT funded Public Works projects for Benns Church Intersection improvements and South Church Street Alternatives were delayed in 2021 saving the Town \$807,842 and \$71,085 respectively. These savings were offset by an overage in Police capital with the lease-purchase of 7 new vehicles funded through Enterprise Fleet Management. The Town had initially budgeted \$84,000 for the purchase of 3 vehicles but instead spent \$287,471 towards the new lease program. The program is expected to reduce costs in future years as the cars are traded every 5 years lowering the cost of vehicle maintenance and realizing a residual value.

Highway maintenance funds were budgeted to equal budgeted highway revenues (\$1,247,495) plus interest earned (\$250). In the past few years, the Town has not spent its entire annual street maintenance grant and has recorded a carry forward. In FY2021, the Town spent \$1,386,333 including \$138,575 of a prior year carry forward balance of \$278,134.

PROPRIETARY FUND BUDGETARY HIGHLIGHTS

The proprietary funds reflected a combined water and sewer change in net position of -\$37,843 for FY2021. The final sewer fund budget projected an increase of \$100,608 while water was budgeted with a loss of \$667,151. Actual sewer change in net position for the year was \$465,864 which was \$365,256 higher than expected. Operating revenues and contributed capital exceeded budget by \$133,124 and \$66,600 respectively while operating expenses were \$168,860 lower than budgeted. Charges for services exceeded budget by \$45,284 with the largest increase in connection fees (\$23,700). Connection fees are directly tied to growth and 2021 estimates of 45 connections fell well below the actual 60 connections installed. Also, under Miscellaneous revenues, the Town's insurance provider, Virginia Risk Sharing Association (VRSA), reimbursed the Town \$84,636 for storm and equipment damages. Like the connection fees included in charges for services, the availability fees were also budgeted for 41 new plats; however, actual collected was 60 (\$247,200). Savings in professional fees (\$17,137), materials and supplies (\$26,856), pump replacement and conditioning (\$61,556), depreciation expense (\$43,236), and debt service (\$26,031) accounted for the largest savings in expenditures. Water change in net position totaled \$503,707 which was \$163,444 less than projected budget. Like sewer, the operating expenses for the water fund fell below budget with a savings of \$101,932. Water revenues were \$61,509 higher than projected for the same reasons as the sewer fund, namely increases in connection fees (\$9,240), availability fees (\$38,080), and insurance reimbursements (\$18,691). Savings in water tank maintenance (\$14,190), materials & supplies (\$54,203), and depreciation (\$28,753) added to the increase in net position. The water tank projected was budgeted at \$633,000 but was completed for \$618,810. Materials and supplies of \$73,297 fell \$54,203 under budget as materials costs were directed at replenishing inventory value in 2021. Depreciation expense for both water and sewer were below budget due to the staging of capital projects during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's capital assets totaled \$45,286,601 for its governmental and business-type activities, net of accumulated depreciation for FY2021. This is an increase of \$1,056,887 from FY2020. Of this total, -\$287,586 originated from a decrease in governmental activities offset by an increase in business-type activities of \$1,344,473. The decrease in value of the general fund assets resulted from depreciation expense that exceeded the cost of improvements for the year. The largest increases in business fund assets resulted from the Sewer Fund (\$1,000,213), but Water Fund capital assets also increased \$344,259. The Town's investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, art collection and construction in progress. The Town owns roads, streetlights, and other highway infrastructure that has been included in this report.

Major capital asset events during the 2021 fiscal year included the following:

- Lease-capital purchase of seven police vehicles and one public works vehicle
- Purchase of 4 land parcels in Phase IV of the Pinewood Heights Redevelopment Project
- Purchase of a new VAC Truck for sewer and highway operations
- Relining of Well #8A
- Substantial progress on the Grace Street water and sewer line improvements
- Continued sanitary sewer inspections and manhole rehabs at various locations throughout the Town
- Purchase of an interactive training system for the Police Department paid from CARES allocation

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 10,146,637	\$ 10,098,637	204,481	\$ 204,481	\$ 10,351,118	\$ 10,303,118
Building and system	6,715,677	6,994,433	7,137,210	6,976,416	13,852,887	13,970,849
Improvements other						
than buildings	3,967,137	4,286,305	70,748	77,509	4,037,885	4,363,814
Machinery & equipment	964,224	777,007	2,441,885	2,531,823	3,406,109	3,308,830
Vehicles	481,317	281,413	527,044	59,688	1,008,361	341,101
Infrastructure	6,882,403	6,206,944	4,152,780	4,316,830	11,035,183	10,523,774
Art collections	10,537	10,537	-	-	10,537	10,537
Construction in progress	579,857	1,380,099	1,004,664	27,592	1,584,521	1,407,691
Total	\$ 29,747,789	\$ 30,035,375	\$ 15,538,812	\$ 14,194,339	\$ 45,286,601	\$ 44,229,714

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

Debt Administration. Outstanding debt for the Town at fiscal year-end 2021 totaled \$8,213,284 of which \$5,306,726 originated from governmental activities and the remaining \$2,906,558 from business-type activities. Total principal paid for all debt during the year was \$808,070. The Town's ratio of net general bonded debt to total assessed value of taxable property decreased from 0.31% in FY2020 to .28% in FY2021 with an increase in assessed value of \$32,886,314 and a decrease in net bonded debt of \$327,163 due to principal payments exceeding the cost of bond refunding. Outstanding debt also includes Capital leases (\$778,465), Net Other Post-Employment Benefits (OPEB) liabilities (\$656,018), Net Pension Liability (\$545,070), and the value of Compensated Absences (\$229,375). Group Life Insurance (GFI) and Line of Duty Act benefits (LODA) for the Town's certified officers are included in the calculations for OPEB liabilities.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION: (CONTINUED)

Town of Smithfield, Virginia
Outstanding Debt
For the Year Ended June 30, 2021

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation bonds	\$ 3,634,767	\$ -	\$ 1,619,233	\$ 1,642,000	\$ 5,254,000	\$ 1,642,000
Notes payable	109,216	4,071,145	641,140	307,624	750,356	4,378,769
Capital Leases	317,467	150,484	460,998	-	778,465	150,484
Net OPEB liabilities	609,673	552,895	46,345	45,305	656,018	598,200
Net pension liability	449,568	-	95,502	-	545,070	-
Compensated absences	186,035	215,189	43,340	47,136	229,375	262,325
Total	\$ 5,306,726	\$ 4,989,713	\$ 2,906,558	\$ 2,042,065	\$ 8,213,284	\$ 7,031,778

ECONOMIC FACTORS

While the Town was still impacted by the COVID-19 pandemic in 2021, signs of resurgence and growth are evident and reassuring. Event and transient lodging facilities were slow to reopen, but the production and availability of COVID vaccines elevated consumer confidence for those ready to reenter society. Meals tax and sales tax revenues that exceeded budget by \$419,945 and \$169,899 respectively are especially indicative that the economy is moving in a positive direction. The appearance of variant COVID strains hinders the timeline of full recovery, but businesses have reopened, and development is occurring. Utility connections increased from 45 to 60 in the 2021 fiscal year as construction continued in existing neighborhoods. New projects for affordable housing and commercial opportunities are also under consideration and moving through the approval process. The Town remains cautiously optimistic that the pandemic will be contained so that our resilient citizens and businesses can continue to mend and prosper.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Smithfield, Virginia's financial condition as of fiscal year ended 2021. Questions concerning this report or requests for additional information should be directed to the Treasurer, Town of Smithfield, 310 Institute Street, Smithfield.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
As of June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,318,299	\$ 3,078,280	\$ 16,396,579
Receivables (net of allowance for uncollectibles):			
Taxes receivable	2,314,878	-	2,314,878
Accounts receivable	429,073	723,624	1,152,697
Interest receivable	15	-	15
Internal balances	259,694	(259,694)	-
Due from other governmental units	806,281	1,268	807,549
Inventories	39,730	168,820	208,550
Prepaid items	49,420	-	49,420
Restricted assets:			
Cash and cash equivalents	163,775	3,511,714	3,675,489
Capital assets (net of accumulated depreciation):			
Land	10,146,637	204,481	10,351,118
Buildings and system	6,715,677	7,137,210	13,852,887
Improvements other than buildings	3,967,137	70,748	4,037,885
Machinery and equipment	964,224	2,441,885	3,406,109
Vehicles	481,317	527,044	1,008,361
Infrastructure	6,882,403	4,152,780	11,035,183
Art collections	10,537	-	10,537
Construction in progress	579,857	1,004,664	1,584,521
Total assets	\$ 47,128,954	\$ 22,762,824	\$ 69,891,778
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related items	\$ 219,733	\$ 12,383	\$ 232,116
Pension related items	1,147,899	243,851	1,391,750
Total deferred outflows of resources	\$ 1,367,632	\$ 256,234	\$ 1,623,866
LIABILITIES			
Accounts payable	\$ 807,283	\$ 139,042	\$ 946,325
Accrued wages & payroll liabilities	119,576	19,305	138,881
Customer deposits	-	87,040	87,040
Accrued interest payable	16,928	14,499	31,427
Due to other governmental units	342,011	-	342,011
Unearned revenue	4,396,477	-	4,396,477
Due to taxpayers	64,125	-	64,125
Long-term liabilities:			
Due within one year	509,151	484,805	993,956
Due in more than one year	4,797,575	2,421,753	7,219,328
Total liabilities	\$ 11,053,126	\$ 3,166,444	\$ 14,219,570
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 2,272,199	\$ -	\$ 2,272,199
OPEB related items	125,927	2,244	128,171
Pension related items	29,679	6,305	35,984
Total deferred inflows of resources	\$ 2,427,805	\$ 8,549	\$ 2,436,354
NET POSITION			
Net investment in capital assets	\$ 25,686,339	\$ 12,817,441	\$ 38,503,780
Restricted:			
Pinewood Heights escrow	66,391	-	66,391
SNAP program	2,219	-	2,219
Police department expenditures	37,304	-	37,304
Highway maintenance	204,924	-	204,924
Water debt service and customer deposits	-	898,871	898,871
Sewer compliance	-	2,525,803	2,525,803
Unrestricted	9,018,478	3,601,950	12,620,428
Total net position	\$ 35,015,655	\$ 19,844,065	\$ 54,859,720

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

TOWN OF SMITHFIELD, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,807,433	\$ 10,200	\$ 497,421	\$ -
Public safety	2,840,138	43,345	554,803	-
Public works	2,846,710	213,404	1,452,471	230,837
Parks, recreation, and cultural	1,830,395	-	12,942	-
Community development	1,401,742	48,829	249,071	-
Interest on long-term debt	100,526	-	-	-
Total governmental activities	\$ 10,826,944	\$ 315,778	\$ 2,766,708	\$ 230,837
Business-type activities:				
Water	\$ 2,513,706	\$ 1,813,365	\$ 3,567	\$ 165,280
Sewer	1,099,535	1,224,897	2,956	252,000
Total business-type activities	\$ 3,613,241	\$ 3,038,262	\$ 6,523	\$ 417,280
Total primary government	\$ 14,440,185	\$ 3,354,040	\$ 2,773,231	\$ 648,117
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Business licenses				
Utility license taxes				
Restaurant food taxes				
Cigarette taxes				
Motor vehicle taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,299,812)	\$ -	\$ (1,299,812)
(2,241,990)	-	(2,241,990)
(949,998)	-	(949,998)
(1,817,453)	-	(1,817,453)
(1,103,842)	-	(1,103,842)
(100,526)	-	(100,526)
<u>\$ (7,513,621)</u>	<u>\$ -</u>	<u>\$ (7,513,621)</u>
\$ -	\$ (531,494)	\$ (531,494)
<u>-</u>	<u>380,318</u>	<u>380,318</u>
\$ -	\$ (151,176)	\$ (151,176)
<u>\$ (7,513,621)</u>	<u>\$ (151,176)</u>	<u>\$ (7,664,797)</u>
\$ 3,031,225	\$ -	\$ 3,031,225
491,199	-	491,199
399,293	-	399,293
190,767	-	190,767
2,038,190	-	2,038,190
204,416	-	204,416
263,870	-	263,870
397,178	-	397,178
278,743	12,650	291,393
173,060	100,683	273,743
441,608	-	441,608
<u>\$ 7,909,549</u>	<u>\$ 113,333</u>	<u>\$ 8,022,882</u>
\$ 395,928	\$ (37,843)	\$ 358,085
<u>34,619,727</u>	<u>19,881,908</u>	<u>54,501,635</u>
<u>\$ 35,015,655</u>	<u>\$ 19,844,065</u>	<u>\$ 54,859,720</u>

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Fund Financial Statements

Balance Sheet
Governmental Funds
As of June 30, 2021

	General	Highway Maintenance	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 13,318,299	\$ -	\$ -	\$ 13,318,299
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,314,878	-	-	2,314,878
Accounts receivable	429,073	-	-	429,073
Interest receivable	15	-	-	15
Due from other funds	259,738	534,455	8,151	802,344
Due from other governmental units	806,281	-	-	806,281
Inventories	39,730	-	-	39,730
Prepaid items	49,420	-	-	49,420
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	105,914	57,861	-	163,775
Total assets	<u>\$ 17,323,348</u>	<u>\$ 592,316</u>	<u>\$ 8,151</u>	<u>\$ 17,923,815</u>
LIABILITIES				
Accounts payable & other accrued expenditures	\$ 427,853	\$ 379,430	\$ -	\$ 807,283
Accrued wages & payroll liabilities	111,614	7,962	-	119,576
Due to other funds	542,607	-	43	542,650
Unearned revenue	4,396,477	-	-	4,396,477
Due to other governmental units	342,011	-	-	342,011
Refunds to taxpayers	64,125	-	-	64,125
Total liabilities	<u>\$ 5,884,687</u>	<u>\$ 387,392</u>	<u>\$ 43</u>	<u>\$ 6,272,122</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	<u>\$ 2,319,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,319,396</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	\$ 49,420	\$ -	\$ -	\$ 49,420
Inventory	39,730	-	-	39,730
Total nonspendable fund balance	<u>\$ 89,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,150</u>
Restricted:				
Pinewood Heights escrow	\$ 66,391	\$ -	\$ -	\$ 66,391
SNAP program	2,219	-	-	2,219
Highway maintenance	-	204,924	-	204,924
Police department expenditures	37,304	-	-	37,304
Total restricted fund balance	<u>\$ 105,914</u>	<u>\$ 204,924</u>	<u>\$ -</u>	<u>\$ 310,838</u>
Committed:				
Special projects	\$ 579,402	\$ -	\$ -	\$ 579,402
Windsor Castle	7,017	-	-	7,017
Museum	217,045	-	-	217,045
Total committed fund balance	<u>\$ 803,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 803,464</u>
Assigned:				
Capital projects	\$ -	\$ -	\$ 8,108	\$ 8,108
Total assigned fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,108</u>	<u>\$ 8,108</u>
Unassigned	<u>\$ 8,120,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,120,737</u>
Total fund balances	<u>\$ 9,119,265</u>	<u>\$ 204,924</u>	<u>\$ 8,108</u>	<u>\$ 9,332,297</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,323,348</u>	<u>\$ 592,316</u>	<u>\$ 8,151</u>	<u>\$ 17,923,815</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 9,332,297
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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.

29,747,789

Items related to measurement of the net pension liability and net OPEB liabilities are considered deferred outflows or deferred inflows 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	\$ 1,147,899	
Deferred outflows - OPEB related	219,733	
Deferred inflows - pension related	(29,679)	
Deferred inflows - OPEB related	<u>(125,927)</u>	1,212,026

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	47,197
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Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.

(16,928)

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, notes and capital leases	\$ (4,061,450)	
Compensated absences	(186,035)	
Net pension liability	(449,568)	
Net OPEB liabilities	<u>(609,673)</u>	<u>(5,306,726)</u>

Net position of governmental activities	\$ <u>35,015,655</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, 2021

	General	Highway Maintenance	Capital Projects	Total
REVENUES				
General property taxes	\$ 3,129,678	\$ -	\$ -	\$ 3,129,678
Other local taxes	3,984,913	-	-	3,984,913
Permits, privilege fees, and regulatory licenses	272,433	-	-	272,433
Fines and forfeitures	43,345	-	-	43,345
Revenue from the use of money and property	278,503	240	-	278,743
Miscellaneous	228,268	24,792	-	253,060
Intergovernmental:				
Commonwealth	700,868	1,289,244	-	1,990,112
Federal	1,368,706	335	-	1,369,041
Total revenues	\$ 10,006,714	\$ 1,314,611	\$ -	\$ 11,321,325
EXPENDITURES				
Current:				
General government administration	\$ 1,710,383	\$ -	\$ -	\$ 1,710,383
Public safety	2,756,144	-	-	2,756,144
Public works	1,095,366	1,386,333	-	2,481,699
Parks, recreation, and cultural	1,274,967	-	-	1,274,967
Community development	1,401,742	-	-	1,401,742
Capital projects	554,469	-	-	554,469
Debt service:				
Principal retirement	427,171	-	-	427,171
Interest and other fiscal charges	92,884	-	-	92,884
Total expenditures	\$ 9,313,126	\$ 1,386,333	\$ -	\$ 10,699,459
Excess (deficiency) of revenues over (under) expenditures	\$ 693,588	\$ (71,722)	\$ -	\$ 621,866
OTHER FINANCING SOURCES (USES)				
Payment to refunded bond escrow agent	\$ (3,834,667)	\$ -	\$ -	\$ (3,834,667)
Issuance of general obligation refunding bonds	3,871,152	-	-	3,871,152
Issuance of capital leases	230,507	-	-	230,507
Total other financing sources (uses)	\$ 266,992	\$ -	\$ -	\$ 266,992
Net change in fund balances	\$ 960,580	\$ (71,722)	\$ -	\$ 888,858
Fund balances - beginning	8,158,685	276,646	8,108	8,443,439
Fund balances - ending	\$ 9,119,265	\$ 204,924	\$ 8,108	\$ 9,332,297

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, 2021

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

Net change in fund balances - total governmental funds	\$	888,858
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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	\$	872,447	
Depreciation expense		<u>(1,143,700)</u>	(271,253)

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

Gain (loss) on exchange of capital assets	(16,333)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax revenue	(98,453)
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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 general obligation refunding bonds	\$	(3,871,152)	
Issuance of capital leases		(230,507)	
Payment to refunded bond escrow agent		3,834,667	
Principal retired on general obligation bonds, capital leases and notes		<u>427,171</u>	160,179

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	\$	29,154	
Change in net pension asset/liability		(1,053,346)	
Change in net OPEB liabilities		(56,778)	
Change in deferred inflows related to the net OPEB liabilities		(38,204)	
Change in deferred inflows related to the net pension liability		130,306	
Change in deferred outflows related to net pension liability		645,426	
Change in deferred outflows related to net OPEB liabilities		84,014	
Change in accrued interest payable		<u>(7,642)</u>	(267,070)

Change in net position of governmental activities	\$	<u>395,928</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, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,594,037	\$ 1,484,243	\$ 3,078,280
Receivables, net of allowances for uncollectibles accounts	448,309	275,315	723,624
Due from other funds	-	182,559	182,559
Due from other governmental units	-	1,268	1,268
Inventory	134,603	34,217	168,820
Total current assets	\$ 2,176,949	\$ 1,977,602	\$ 4,154,551
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 985,911	\$ 2,525,803	\$ 3,511,714
Total restricted assets	\$ 985,911	\$ 2,525,803	\$ 3,511,714
Capital assets:			
Land	\$ 194,391	\$ 10,090	\$ 204,481
Improvements other than buildings	115,140	20,087	135,227
Vehicles	145,946	769,516	915,462
Buildings	7,773,189	4,211,631	11,984,820
Machinery and equipment	2,153,847	4,115,416	6,269,263
Infrastructure	3,519,710	8,451,331	11,971,041
Construction in progress	253,705	750,959	1,004,664
Accumulated depreciation	(5,400,567)	(11,545,579)	(16,946,146)
Total capital assets	\$ 8,755,361	\$ 6,783,451	\$ 15,538,812
Total noncurrent assets	\$ 9,741,272	\$ 9,309,254	\$ 19,050,526
Total assets	\$ 11,918,221	\$ 11,286,856	\$ 23,205,077
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related items	\$ 7,621	\$ 4,762	\$ 12,383
Pension related items	150,073	93,778	243,851
Total deferred outflows of resources	\$ 157,694	\$ 98,540	\$ 256,234
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 103,104	\$ 35,938	\$ 139,042
Accrued payroll	10,490	8,815	19,305
Customer deposits	87,040	-	87,040
Accrued interest payable	7,531	6,968	14,499
Due to other funds	355,003	87,250	442,253
Compensated absences - current portion	10,045	6,296	16,341
Capital lease and note payable - current portion	-	91,323	91,323
Bonds payable - current portion	270,071	107,070	377,141
Total current liabilities	\$ 843,284	\$ 343,660	\$ 1,186,944
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,191,462	\$ 50,630	\$ 1,242,092
Capital lease and note payable - net of current portion	623,935	386,880	1,010,815
Net pension liability	58,775	36,727	95,502
Net OPEB liability	28,522	17,823	46,345
Compensated absences - net of current portion	16,375	10,624	26,999
Total noncurrent liabilities	\$ 1,919,069	\$ 502,684	\$ 2,421,753
Total liabilities	\$ 2,762,353	\$ 846,344	\$ 3,608,697
DEFERRED INFLOWS OF RESOURCES			
OPEB related items	\$ 1,380	\$ 864	\$ 2,244
Pension related items	3,880	2,425	6,305
Total deferred inflows of resources	\$ 5,260	\$ 3,289	\$ 8,549
NET POSITION			
Net investment in capital assets	\$ 6,669,893	\$ 6,147,548	\$ 12,817,441
Restricted	898,871	2,525,803	3,424,674
Unrestricted	1,739,538	1,862,412	3,601,950
Total net position	\$ 9,308,302	\$ 10,535,763	\$ 19,844,065
Total liabilities, deferred inflows of resources and net position	\$ 12,075,915	\$ 11,385,396	\$ 23,461,311

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, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,556,271	\$ 1,224,897	\$ 2,781,168
Charges for services-debt service	257,094	-	257,094
Miscellaneous	31,073	89,254	120,327
Total operating revenues	\$ 1,844,438	\$ 1,314,151	\$ 3,158,589
OPERATING EXPENSES			
Personnel services	\$ 440,811	\$ 279,571	\$ 720,382
Employee benefits	125,845	84,880	210,725
Contractual	54,399	25,833	80,232
Maintenance, repairs, and truck operations	762,405	199,732	962,137
HRSD	310,906	-	310,906
Utilities	123,173	51,918	175,091
Supplies	167,545	26,100	193,645
Other charges	63,298	35,014	98,312
Depreciation	366,247	370,667	736,914
Total operating expenses	\$ 2,414,629	\$ 1,073,715	\$ 3,488,344
Operating income (loss)	\$ (570,191)	\$ 240,436	\$ (329,755)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue			
Federal	\$ 3,567	\$ 2,956	\$ 6,523
Investment income	5,829	6,821	12,650
Loss on disposal of capital assets	(9,115)	(10,529)	(19,644)
Interest expense and other fiscal charges	(99,077)	(25,820)	(124,897)
Total nonoperating revenues (expenses)	\$ (98,796)	\$ (26,572)	\$ (125,368)
Income (loss) before contributions	\$ (668,987)	\$ 213,864	\$ (455,123)
Contributed capital - availability fees	\$ 160,480	\$ 247,200	\$ 407,680
Contributed capital - development impact fees	4,800	4,800	9,600
Total contributed capital	\$ 165,280	\$ 252,000	\$ 417,280
Change in net position	\$ (503,707)	\$ 465,864	\$ (37,843)
Total net position - beginning	9,812,009	10,069,899	19,881,908
Total net position - ending	\$ 9,308,302	\$ 10,535,763	\$ 19,844,065

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,735,587	\$ 1,254,460	\$ 2,990,047
Payments to suppliers	(1,884,034)	(516,882)	(2,400,916)
Payments to and on behalf of employees	(541,535)	(340,645)	(882,180)
Net cash provided by (used for) operating activities	\$ (689,982)	\$ 396,933	\$ (293,049)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue	\$ 3,567	\$ 2,956	\$ 6,523
Net cash provided by (used for) noncapital financing activities	\$ 3,567	\$ 2,956	\$ 6,523
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (719,622)	\$ (1,381,408)	\$ (2,101,030)
Capital contributions	165,280	252,000	417,280
Payments to refund bonds and notes	(1,401,287)	-	(1,401,287)
Retirement of long-term indebtedness	(278,032)	(102,920)	(380,952)
Proceeds from indebtedness	2,075,783	478,203	2,553,986
Interest expense	(87,048)	(20,482)	(107,530)
Net cash provided by (used for) capital and related financing activities	\$ (244,926)	\$ (774,607)	\$ (1,019,533)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 5,829	\$ 6,821	\$ 12,650
Net cash provided by (used for) investing activities	\$ 5,829	\$ 6,821	\$ 12,650
Net increase (decrease) in cash and cash equivalents	\$ (925,512)	\$ (367,897)	\$ (1,293,409)
Cash and cash equivalents - beginning, including restricted cash and cash equivalents of \$958,036 and \$2,329,927	3,505,460	4,377,943	7,883,403
Cash and cash equivalents - ending, including restricted cash and cash equivalents of \$985,911 and \$2,525,803	\$ 2,579,948	\$ 4,010,046	\$ 6,589,994
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (570,191)	\$ 240,436	\$ (329,755)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	366,247	370,667	736,914
(Increase) decrease in accounts receivable	(108,823)	(62,233)	(171,056)
(Increase) decrease in due from other funds	30	56,537	56,567
(Increase) decrease in due from other governmental units	-	2,542	2,542
(Increase) decrease in inventory	(21,837)	(6,080)	(27,917)
Increase (decrease) in compensated absences	(3,742)	(54)	(3,796)
Increase (decrease) in accrued payroll	(910)	1,458	548
Increase (decrease) in due to other funds	(399,795)	(221,639)	(621,434)
Increase (decrease) in accounts payable	19,294	(7,103)	12,191
(Increase) decrease in net pension asset	78,936	49,326	128,262
Increase (decrease) in net pension liability	58,775	36,727	95,502
Increase (decrease) in net OPEB liability	640	400	1,040
(Increase) decrease in deferred outflows of resources - OPEB related	(76)	(47)	(123)
Increase (decrease) in deferred inflows of resources - OPEB related	(1,009)	(630)	(1,639)
(Increase) decrease in deferred outflows of resources - pension related	(90,457)	(52,728)	(143,185)
Increase (decrease) in deferred inflows of resources - pension related	(17,036)	(10,646)	(27,682)
Increase (decrease) in customer deposits	(28)	-	(28)
Total adjustments	\$ (119,791)	\$ 156,497	\$ 36,706
Net cash provided by (used for) operating activities	\$ (689,982)	\$ 396,933	\$ (293,049)

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 Town 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 accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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.

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.

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

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

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.
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, 2021.
10. Expenditures exceeded appropriations in the Highway Maintenance Fund for the year ended June 30, 2021.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

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 \$39,339 at June 30, 2021. The allowance for uncollectible billings in the water and sewer funds are \$100,106 and \$64,854, respectively.

I. Capital Assets

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

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

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

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

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 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. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate fund.

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.

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 2021 was \$270,544.

Erosion and Sediment Control Plan:

The Town has a memorandum of agreement 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 2021.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

M. Intergovernmental Agreements: (Continued)

Fats, Oils, and Grease Control:

The Town, along with several other localities, has entered into a Memorandum of 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 2021 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 2021.

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 2021 was \$306,797.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position 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. The item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

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.

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 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.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

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 not in spendable form (such as inventory and prepaids) or are 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;
- 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 general 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 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).

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.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

As of June 30, 2021, 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	\$ 553,440
Total	\$ 553,440

Fair Value Measurements

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

Redemption Restrictions

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

Investment Credit Policy

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

1. U.S. Government Obligations - Stocks, bonds, notes and other evidences of indebtedness of the United States, its agencies or government sponsored corporations. These securities can be held directly or in the form of a registered money market or mutual funds provided that the portfolio of the fund is limited to such evidences of indebtedness.
2. Municipal Obligations – Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia, or of any county, city, town, district, authority or public body of the Commonwealth of Virginia with an investment grade from two of the rating agencies of at least A by Moody’s, A by S&P, or A by Fitch.
3. Overnight, term or open Repurchase agreements collateralized by U.S. Treasury/Agency Securities. The repurchase agreement should have a term to maturity of not greater than (90) days. The collateral for overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Credit Policy: (Continued)

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

Investment Type	Investment Maturity*	
	Fair Value	1-5 Years
VACO/VML Virginia Investment Pool	\$ 553,440	\$ 553,440
Total investments	\$ 553,440	\$ 553,440

* 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, 2021 (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, 2021, are detailed as follows:

	General	Highway Maintenance	Business-type Activities	
			Water	Sewer
Pinewood Heights escrow	\$ 66,391	\$ -	\$ -	\$ -
Police Department	37,304	-	-	-
SNAP program	2,219	-	-	-
Highway maintenance	-	57,861	-	-
Debt service	-	-	885,331	-
Compliance escrow	-	-	-	2,525,803
Customer deposits	-	-	100,580	-
Total	<u>\$ 105,914</u>	<u>\$ 57,861</u>	<u>\$ 985,911</u>	<u>\$ 2,525,803</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	\$ 579,402	\$ -	\$ -	\$ 579,402
Windsor Castle	7,017	-	-	7,017
Museum	217,045	-	-	217,045
Escrow	218,068	451,989	1,114,839	1,784,896
Total	<u>\$ 1,021,532</u>	<u>\$ 451,989</u>	<u>\$ 1,114,839</u>	<u>\$ 2,588,360</u>

NOTE 3—RECEIVABLES:

Accounts receivable are detailed as follows:

	Governmental Activities	Business-type Activities
Property taxes	\$ 2,354,217	\$ -
Consumer utility taxes	21,712	-
Consumption taxes	4,759	-
Interest	15	-
Transient occupancy tax	72,197	-
Meals tax	330,405	-
Water and sewer billings	-	888,584
Total	<u>\$ 2,783,305</u>	<u>\$ 888,584</u>
Allowance for uncollectibles	<u>(39,339)</u>	<u>(164,960)</u>
Net receivables	<u>\$ 2,743,966</u>	<u>\$ 723,624</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 4—DUE FROM/TO OTHER GOVERNMENTS:

Details of amounts due from/to other governments as of June 30, 2021 are as follows:

Governmental Activities:	<u>Due From</u>	<u>Due To</u>
Commonwealth:		
Communications Tax	\$ 27,183	\$ -
Urban Funds	35,460	-
Other	7,066	40,176
Due from/to Commonwealth	\$ 69,709	\$ 40,176
Isle of Wight County:		
Local Sales Tax	\$ 97,719	\$ -
Fines	8,706	-
Coronavirus Relief Fund (CARES Act)	386,944	-
Other	79,602	301,835
Due from/to Isle of Wight County	\$ 572,971	\$ 301,835
Due from Federal Government:		
CDBG	\$ 6,000	\$ -
VDOT construction	157,601	-
Due from Federal Government	\$ 163,601	\$ -
Total Governmental Activities	\$ 806,281	\$ 342,011
Business-type Activities:		
Isle of Wight County	\$ 1,268	\$ -

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

NOTE 5—INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances are considered short-term in nature. All balances result from the time-lag between the dates that reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. At June 30, 2021, the balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ 259,738	\$ 542,607
Highway Fund	534,455	-
Capital Projects Fund	8,151	43
Enterprise Funds:		
Water Fund	-	355,003
Sewer Fund	182,559	87,250
Total	\$ 984,903	\$ 984,903

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of changes in capital assets:

Governmental Activities:	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 10,098,637	\$ 48,000	\$ -	\$ 10,146,637
Construction in progress	1,380,099	182,660	982,902	579,857
Total capital assets not being depreciated	\$ 11,478,736	\$ 230,660	\$ 982,902	\$ 10,726,494
Capital assets being depreciated:				
Art collections	\$ 118,466	\$ -	\$ -	\$ 118,466
Buildings and system	9,704,917	-	-	9,704,917
Improvements other than buildings	5,662,120	-	-	5,662,120
Machinery and equipment	1,980,719	292,114	-	2,272,833
Vehicles	1,688,135	339,199	361,629	1,665,705
Infrastructure	10,978,130	993,376	-	11,971,506
Total capital assets being depreciated	\$ 30,132,487	\$ 1,624,689	\$ 361,629	\$ 31,395,547
Accumulated depreciation:				
Art collections	\$ (107,929)	\$ -	\$ -	\$ (107,929)
Buildings and system	(2,710,484)	(278,756)	-	(2,989,240)
Improvements other than buildings	(1,375,815)	(319,168)	-	(1,694,983)
Machinery and equipment	(1,203,713)	(104,896)	-	(1,308,609)
Vehicles	(1,406,722)	(122,962)	(345,296)	(1,184,388)
Infrastructure	(4,771,185)	(317,918)	-	(5,089,103)
Total accumulated depreciation	\$ (11,575,848)	\$ (1,143,700)	\$ (345,296)	\$ (12,374,252)
Net capital assets being depreciated	\$ 18,556,639	\$ 480,989	\$ 16,333	\$ 19,021,295
Capital assets, net	\$ 30,035,375	\$ 711,649	\$ 999,235	\$ 29,747,789

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 204,481	\$ -	\$ -	\$ 204,481
Construction in progress	27,592	978,486	1,414	1,004,664
Total capital assets not being depreciated	\$ 232,073	\$ 978,486	\$ 1,414	\$ 1,209,145
Capital assets being depreciated:				
Buildings and system	\$ 11,605,650	\$ 379,170	\$ -	\$ 11,984,820
Machinery and equipment	6,038,615	230,648	-	6,269,263
Infrastructure	11,971,041	-	-	11,971,041
Improvements other than buildings	135,227	-	-	135,227
Vehicles	427,736	512,726	25,000	915,462
Total capital assets being depreciated	\$ 30,178,269	\$ 1,122,544	\$ 25,000	\$ 31,275,813
Accumulated depreciation:				
Buildings and system	\$ (4,629,234)	\$ (218,376)	\$ -	\$ (4,847,610)
Machinery and equipment	(3,506,792)	(320,586)	-	(3,827,378)
Infrastructure	(7,654,211)	(164,050)	-	(7,818,261)
Improvements other than buildings	(57,718)	(6,761)	-	(64,479)
Vehicles	(368,048)	(27,141)	(6,771)	(388,418)
Total accumulated depreciation	\$ (16,216,003)	\$ (736,914)	\$ (6,771)	\$ (16,946,146)
Net capital assets being depreciated	\$ 13,962,266	\$ 385,630	\$ 18,229	\$ 14,329,667
Capital assets, net	\$ 14,194,339	\$ 1,364,116	\$ 19,643	\$ 15,538,812

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

Governmental activities:

General government administration	\$ 36,969
Public safety	145,104
Public works (Highways and streets)	446,425
Parks, recreation and cultural	515,202
Total governmental activities	\$ 1,143,700
Business-type activities	\$ 736,914

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Contract Commitments

Contract commitments of the Town at June 30, 2021 related to capital assets are as follows:

Project	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Urban Fund Projects:		
Nike Park Recreational Trail-S. Church Alternatives	\$ 58,915	\$ 152,100
Intersection Improvement-Benns Church Blvd/258/Rt. 10	290,834	807,842
MUNIS Conversion	230,108	106,975
Sanitary Sewer Inspections-TV the Lines	57,217	3,846
Mom Plan Review	42,532	7,438
Manhole Rehabilitation-2020 contract	58,500	4,500
Grace Street Infrastructure-Sewer	592,710	11,498
Grace Street Infrastructure-Water	232,866	431,095
RO Stormwater Improvements	20,839	11,300
Total	<u>\$ 1,584,521</u>	<u>\$ 1,536,594</u>

NOTE 7—LINE OF CREDIT:

In fiscal year 2013, the Town renewed an agreement with TowneBank for a line of credit of \$500,000 in order to assist the Town in financing the purchase of properties under the Pinewood Heights Project. Borrowings bear interest at LIBOR or Wall Street Journal Prime Rate (depending on which is most advantageous to the Town at the time of borrowing) but at no time will the interest rate be lower than 3.25%. At June 30, 2021, the interest rate being charged to the Town was 3.25%. There was no activity during the year or balance outstanding. The line of credit expires, effective February 20, 2022.

On July 31, 2012, the Town entered into an agreement with Farmers Bank for a line of credit of \$1,000,000 in order to assist the Town in financing capital projects. The variable interest rate is calculated based on the Wall Street Journal Prime Rate. At June 30, 2021, the interest rate being charged to the Town was 3.25%. There was no activity during the year or balance outstanding. The unsecured line was renewed through July 31, 2022.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS:

Governmental activities obligations

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

	Balance July 1, 2020	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2021
Direct borrowings and direct placements:				
General obligation bonds payable	\$ -	\$ 3,871,152	\$ (236,385)	\$ 3,634,767
Notes payable	4,071,145	-	(3,961,929)	109,216
Other liabilities:				
Capital leases	150,484	230,507	(63,524)	317,467
Net OPEB liabilities	552,895	327,717	(270,939)	609,673
Net pension liability	-	981,285	(531,717)	449,568
Compensated absences	215,189	-	(29,154)	186,035
Totals	<u>\$ 4,989,713</u>	<u>\$ 5,410,661</u>	<u>\$ (5,093,648)</u>	<u>\$ 5,306,726</u>

Annual requirements for the notes and capital leases outstanding for governmental activities are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements		Capital Leases	
	Bonds & Notes Payable			
	Principal	Interest	Principal	Interest
2022	\$ 352,595	\$ 62,207	\$ 88,202	\$ 8,271
2023	349,901	55,441	87,537	6,168
2024	304,056	49,701	40,965	4,054
2025	308,691	44,590	42,332	2,687
2026	314,253	39,385	58,431	1,140
2027-2031	1,652,841	115,778	-	-
2032-2033	461,646	7,256	-	-
Total	<u>\$ 3,743,983</u>	<u>\$ 374,358</u>	<u>\$ 317,467</u>	<u>\$ 22,320</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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.	\$ 3,634,767	\$ 293,859
Notes Payable:		
\$434,300 note payable dated April 24, 2015. Payments due annually with the final installment due 2023, bearing interest at 3.05%.	\$ 109,216	\$ 58,736
Capital Leases:		
\$245,000 capital lease dated July 2018 for the purchase of E-911 radio equipment, payable annually with final installment due July 2022, bearing interest at 1.65%.	\$ 97,735	\$ 49,840
\$230,507 comprised of 8 separate capital 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. Interest rates from 3.19% to 3.550%. The leases are issued to finance the purchase of Town vehicles.	219,732	38,362
Total Capital Leases	\$ 317,467	\$ 88,202
Other Liabilities:		
Compensated Absences (Note 9)	\$ 186,035	\$ 68,354
Net pension liability (Note 10)	\$ 449,568	\$
Net OPEB liabilities (Note 11)	\$ 609,673	\$ -
Total governmental activities obligations	\$ 5,306,726	\$ 509,151

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations

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

	Balance July 1, 2020	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2021
Direct borrowings and direct placements:				
General obligation bonds payable	\$ 1,642,000	\$ 1,451,848	\$ (1,474,615)	\$ 1,619,233
Note payable	307,624	641,140	(307,624)	641,140
Other liabilities:				
Capital leases	-	460,998		460,998
Net pension liability	-	208,455	(112,953)	95,502
Net OPEB liabilities	45,305	15,552	(14,511)	46,345
Compensated absences	47,136	-	(3,796)	43,340
Totals	\$ 2,042,065	\$ 2,777,993	\$ (1,913,499)	\$ 2,906,558

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

Year Ending June 30,	Direct Borrowings and Direct Placements					
	General Obligation Bonds		Note Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 377,141	\$ 19,530	\$ -	8,694	\$ 91,323	\$ 8,027
2023	310,579	15,028	-	8,694	88,419	10,930
2024	252,944	11,477	641,140	4,347	91,034	8,316
2025	255,309	8,335	-	-	93,725	5,624
2026	256,747	4,483	-	-	96,497	2,853
2027-2031	130,159	9,117	-	-	-	-
2032-2033	36,354	571	-	-	-	-
Total	\$ 1,619,233	\$ 68,541	\$ 641,140	\$ 21,735	\$ 460,998	\$ 35,750

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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.	\$ 1,143,000	\$ 225,000
\$918,000 Series 2015A General Obligation Refunding Bond dated March 12, 2015 with principal annually, bearing interest at 1.50% payable semi-annually maturing on August 1, 2022.	190,000	129,000
\$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>286,233</u>	<u>23,141</u>
Total Bonds Payable	\$ <u>1,619,233</u>	\$ <u>377,141</u>
Note Payable:		
\$1,650,000 (\$641,140 drawn down as of June 30, 2021) General Obligation Note payable Series 2020G dated August 25, 2020. Interest payments semi-annually at 1.45% with final balloon payment due October 2023.	\$ <u>641,140</u>	\$ -
Capital Lease:		
\$460,998 capital lease 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>460,998</u>	\$ <u>91,323</u>
Other liabilities		
Compensated Absences (Note 9)	\$ <u>43,340</u>	\$ <u>16,341</u>
Net pension liability (Note 10)	\$ <u>95,502</u>	\$ -
Net OPEB liabilities (Note 11)	\$ <u>46,345</u>	\$ -
Total business-type obligations	<u>\$ 2,906,558</u>	<u>\$ 484,805</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 9—COMPENSATED ABSENCES:

Annual Leave Accrual

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

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

Sick Leave

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

At June 30, 2021, accumulated vacation and sick leave for the governmental funds amounted to \$186,035 of which \$68,354 is short-term.

At June 30, 2021, accumulated vacation and sick leave for the proprietary funds amounted to \$43,340 of which \$16,341 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, 2021 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2019 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	12
Non-vested inactive members	22
Inactive members active elsewhere in VRS	37
Total inactive members	71
Active members	66
Total covered employees	166

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, 2021 was 8.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$263,602 and \$144,134 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) 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 liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

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, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

* The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

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

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 10,484,457	\$ 11,216,496	\$ (732,039)
Changes for the year:			
Service cost	\$ 409,222	\$ -	\$ 409,222
Interest	692,656	-	692,656
Differences between expected and actual experience	755,685	-	755,685
Contributions - employer	-	149,680	(149,680)
Contributions - employee	-	225,095	(225,095)
Net investment income	-	213,124	(213,124)
Benefit payments, including refunds	(445,782)	(445,782)	-
Administrative expenses	-	(7,189)	7,189
Other changes	-	(256)	256
Net changes	\$ 1,411,781	\$ 134,672	\$ 1,277,109
Balances at June 30, 2020	\$ 11,896,238	\$ 11,351,168	\$ 545,070

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)	\$ 2,241,570	\$ 545,070	\$ (848,244)

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, 2021, the Town recognized pension expense of \$599,660. At June 30, 2020, 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	\$ 647,626	\$ 35,984
Change in assumptions	138,471	-
Net difference between projected and actual earnings on pension plan investments	342,051	-
Employer contributions subsequent to the measurement date	263,602	-
Total	<u>\$ 1,391,750</u>	<u>\$ 35,984</u>

\$263,602 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. 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
2022	\$ 379,776
2023	387,738
2024	216,381
2025	108,269
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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, 2021 (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, safety belt 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 \$8,616 as of June 30, 2021.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the Town were \$17,501 and \$16,960 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the Town reported a liability of \$264,510 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 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, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion for the Town was .01585% as compared to .01589% at June 30, 2019.

For the year ended June 30, 2021, the Town recognized GLI OPEB expense of \$13,414. 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, 2021 (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, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,966	\$ 2,376
Net difference between projected and actual earnings on GLI OPEB program investments	7,946	-
Change in assumptions	13,229	5,523
Changes in proportionate share	15,043	4,908
Employer contributions subsequent to the measurement date	<u>17,501</u>	<u>-</u>
Total	<u>\$ 70,685</u>	<u>\$ 12,807</u>

\$17,501 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2022	\$ 7,311
2023	9,555
2024	10,368
2025	10,253
2026	2,758
Thereafter	132

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019 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, 2020. 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*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2020, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability (Asset)	\$	<u>1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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, 2021 (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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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 member contributions will be made per the VRS guidance 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. Through the fiscal year ended June 30, 2020, 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, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 347,719	\$ 264,510	\$ 196,937

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 Line of Duty Act Program (LODA). 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, 2021 (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. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, 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. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the LODA.

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, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$15,064 and \$12,704 for the years ended June 30, 2021 and June 30, 2020 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, 2021, the Town reported a liability of \$391,508 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was .09348% as compared to .09466% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense of \$29,415. 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, 2021 (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, 2021, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,558	\$ 53,375
Net difference between projected and actual earnings on LODA OPEB plan investments	-	557
Change in assumptions	104,809	24,397
Change in proportionate share	-	37,035
Employer contributions subsequent to the measurement date	<u>15,064</u>	<u>-</u>
Total	<u>\$ 161,431</u>	<u>\$ 115,364</u>

\$15,064 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, 2022. 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>	
2022	\$ 2,745
2023	2,848
2024	2,958
2025	2,990
2026	3,025
Thereafter	16,439

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. 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, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.375%-4.75%
Year of ultimate trend rate:	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

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, 2020, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	4,333
LODA Net OPEB Liability (Asset)	<u>\$ 418,814</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%

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.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments; 6.75% assumption. Instead, the assumed annual rate of return of 2.21% 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, 2020.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. 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, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	Discount Rate		
	1% Decrease (1.21%)	Current (2.21%)	1% Increase (3.21%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 464,715	\$ 391,508	\$ 336,327

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	\$ 323,595	\$ 391,508	\$ 480,339

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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 Liability	OPEB Expense
VRS OPEB Plans:				
GLI Plan	\$ 70,685	\$ 12,807	\$ 264,510	\$ 13,414
LODA Program	161,431	115,364	391,508	29,415
Totals	<u>\$ 232,116</u>	<u>\$ 128,171</u>	<u>\$ 656,018</u>	<u>\$ 42,829</u>

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, 2021, the Town's aggregate general obligation indebtedness was \$110,316,914 less than the Commonwealth of Virginia's limit. Reference Table 11 in the Other Statistical Information.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 14—RISK MANAGEMENT:

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

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

NOTE 15—COMMITMENTS:

The Town of Smithfield began its Pinewood Heights Relocation CDBG project in FY2007 and signed a contract with the Virginia Department of Housing and Community Development (VHCD) for the 4th and final phase on April 5, 2019. The contract was due to terminate on April 4, 2021 but was extended to December 31, 2021. Phase IV includes acquisition and relocation of 5 owner-occupied, 6 market rate renter, and 4 section 8 renter households as well as acquisition of 4 vacant homes and 2 vacant lots for a total of 21 properties. As of June 30, 2021, the Town had acquired 5 owner-occupied, 6 renter-occupied properties, and 3 vacant homes. Relocations were also completed for 5 owners, 5 market rate renters, and 2 Section 8 renters. The Town's contract includes \$1,000,000 in CDBG funds with an expected match of \$1,409,807 from the Town, including \$44,100 from Suffolk Housing and Redevelopment Authority (SHRA) for Section 8 rentals. As of fiscal year-end 2021, the Town had utilized \$831,642 of the allotted \$1,000,000 grant and expended \$1,135,814 of Town matching funds towards the project. The Town utilized its dedicated meals tax funds for its portion of the 2021 costs and will continue to do so until the project is completed.

The Town's new Joseph W. Luter Jr. Sports Complex opened in the spring of 2019. The Virginia Department of Transportation (VDOT) required the Town to install a right-turn lane into the complex upon approval of the project. Cumulative project costs of \$982,902 were expended through June 30, 2020, but inspections and final payment were completed in 2021. The total cost of the project including engineering and construction was \$993,376.

Another large VDOT approved project was an intersection improvement alternative analysis for Bennis Church Boulevard/US Route 258/State Route 10 Bypass. The preliminary engineering phase was budgeted at \$180,470 and was completed during FY2020. The improvement phase of the project (\$902,843) was scheduled to begin in FY2021, but engineering work of \$95,001 was the only progress made. Following an RFP, the construction contract was awarded to The Blair Brothers, and a contract for \$589,683 was signed on July 6, 2021.

Previously, VDOT funding supported a Smithfield to Nike Park segment analysis on South Church Street to identify the most favorable of three possible routes to connect to the trail constructed by Isle of Wight County. In FY2019, the Town was subsequently awarded additional funding to refine the analysis. Any remainder could be applied to construction, but the Town will have to secure most of the funding sources for the project. During FY2021, \$58,915 was paid out of the \$237,112 available.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 15—COMMITMENTS: (CONTINUED)

The Town budgeted for a large utility infrastructure project to begin in FY2021 with completion scheduled for November 2021. The project was expected to cost \$1,200,000 and consisted of sewer and water line upgrades on Grace Street. As of June 30, 2021, a total of \$825,576 was spent on the project which was on target for its fall completion date. Once the project is completed, VDOT is expected to repave Grace Street in the summer of 2022.

NOTE 16—UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

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

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 16—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

NOTE 17—COVID-19 PANDEMIC SUBSEQUENT EVENT:

COVID-19 Pandemic Funding:

As a result of the COVID-19 pandemic, Federal relief has been received through various programs as noted below. The funding will continue through fiscal year 2022. The extent, if any, to which the COVID-19 pandemic may impact the Town functions in subsequent years is unknown.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The Town received total CRF passthrough funding from the County of Isle of Wight in the amount of \$1,420,652.

ARPA Funding

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

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

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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, 2021

	General Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 2,947,253	\$ 2,947,253	\$ 3,129,678	\$ 182,425
Other local taxes	3,305,670	3,305,670	3,984,913	679,243
Permits, privilege fees, and regulatory licenses	259,660	259,660	272,433	12,773
Fines and forfeitures	43,000	43,000	43,345	345
Revenue from the use of money and property	422,745	422,745	278,503	(144,242)
Miscellaneous	182,254	182,254	228,268	46,014
Intergovernmental:				
Commonwealth	795,271	1,621,592	700,868	(920,724)
Federal	1,098,321	1,631,556	1,368,706	(262,850)
Total revenues	\$ 9,054,174	\$ 10,413,730	\$ 10,006,714	\$ (407,016)
EXPENDITURES				
Current:				
General government administration	\$ 1,440,883	\$ 1,889,079	\$ 1,710,383	\$ 178,696
Public safety	2,868,713	2,902,520	2,756,144	146,376
Public works	1,174,074	1,251,048	1,095,366	155,682
Parks, recreation, and cultural	1,216,065	1,382,649	1,274,967	107,682
Community development	1,411,840	1,411,840	1,401,742	10,098
Capital projects	1,312,563	1,312,563	554,469	758,094
Debt service:				
Principal retirement	403,696	403,696	427,171	(23,475)
Interest and other fiscal charges	78,500	78,500	92,884	(14,384)
Total expenditures	\$ 9,906,334	\$ 10,631,895	\$ 9,313,126	\$ 1,318,769
Excess (deficiency) of revenues over (under) expenditures	\$ (852,160)	\$ (218,165)	\$ 693,588	\$ 911,753
OTHER FINANCING SOURCES (USES)				
Payment to refunded bond escrow agent	\$ -	\$ -	\$ (3,834,667)	\$ (3,834,667)
Issuance of general obligation refunding bonds	-	-	3,871,152	3,871,152
Issuance of capital leases	59,280	59,280	230,507	171,227
Total other financing sources (uses)	\$ 59,280	\$ 59,280	\$ 266,992	\$ 207,712
Net change in fund balances	\$ (792,880)	\$ (158,885)	\$ 960,580	\$ 1,119,465
Fund balances - beginning	792,880	158,885	8,158,685	7,999,800
Fund balances - ending	\$ -	\$ -	\$ 9,119,265	\$ 9,119,265

Highway Maintenance Fund

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

For the Year Ended June 30, 2021

	Highway Maintenance Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 250	\$ 250	\$ 240	\$ (10)
Miscellaneous	-	-	24,792	24,792
Intergovernmental:				
Commonwealth	1,247,245	1,247,245	1,289,244	41,999
Federal	-	263	335	72
Total revenues	\$ 1,247,495	\$ 1,247,758	\$ 1,314,611	\$ 66,853
EXPENDITURES				
Current:				
Public works	\$ 1,247,495	\$ 1,247,495	\$ 1,386,333	\$ (138,838)
Total expenditures	\$ 1,247,495	\$ 1,247,495	\$ 1,386,333	\$ (138,838)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 263	\$ (71,722)	\$ (71,985)
Net change in fund balances	\$ -	\$ 263	\$ (71,722)	\$ (71,985)
Fund balances - beginning	-	(263)	276,646	276,909
Fund balances - ending	\$ -	\$ -	\$ 204,924	\$ 204,924

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 409,222	\$ 341,033	\$ 347,677	\$ 345,672	\$ 331,525	\$ 327,359	\$ 321,427
Interest	692,656	634,287	600,262	549,789	508,644	467,961	429,561
Differences between expected and actual experience	755,685	272,262	(172,628)	107,895	(38,766)	6,227	-
Changes of assumptions	-	343,613	-	(39,355)	-	-	-
Benefit payments	(445,782)	(335,956)	(242,520)	(243,397)	(183,768)	(257,044)	(147,781)
Net change in total pension liability	\$ 1,411,781	\$ 1,255,239	\$ 532,791	\$ 720,604	\$ 617,635	\$ 544,503	\$ 603,207
Total pension liability - beginning	10,484,457	9,229,218	8,696,427	7,975,823	7,358,188	6,813,685	6,210,478
Total pension liability - ending (a)	\$ 11,896,238	\$ 10,484,457	\$ 9,229,218	\$ 8,696,427	\$ 7,975,823	\$ 7,358,188	\$ 6,813,685
Plan fiduciary net position							
Contributions - employer	\$ 149,680	\$ 148,084	\$ 152,960	\$ 200,069	\$ 175,435	\$ 169,828	\$ 225,366
Contributions - employee	225,095	158,765	138,192	139,642	139,731	126,764	133,560
Net investment income	213,124	708,065	727,785	1,064,028	152,635	365,835	1,071,092
Benefit payments	(445,782)	(335,956)	(242,520)	(243,397)	(183,768)	(257,044)	(147,781)
Administrator charges	(7,189)	(6,847)	(6,115)	(5,926)	(5,063)	(4,907)	(5,531)
Other	(256)	(448)	(654)	(955)	(63)	(78)	57
Net change in plan fiduciary net position	\$ 134,672	\$ 671,663	\$ 769,648	\$ 1,153,461	\$ 278,907	\$ 400,398	\$ 1,276,763
Plan fiduciary net position - beginning	11,216,496	10,544,833	9,775,185	8,621,724	8,342,817	7,942,419	6,665,656
Plan fiduciary net position - ending (b)	\$ 11,351,168	\$ 11,216,496	\$ 10,544,833	\$ 9,775,185	\$ 8,621,724	\$ 8,342,817	\$ 7,942,419
Town's net pension (asset) liability - ending (a) - (b)	\$ 545,070	\$ (732,039)	\$ (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	95.42%	106.98%	114.25%	112.40%	108.10%	113.38%	116.57%
Covered payroll	\$ 3,248,871	\$ 3,112,992	\$ 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	16.78%	-23.52%	-46.19%	-37.85%	-24.50%	-38.74%	-44.75%

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 Employer Contributions

Pension Plan

For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 263,602	\$ 263,602	\$ -	\$ 3,228,790	8.16%
2020	144,134	144,134	-	3,248,871	4.44%
2019	148,085	148,085	-	3,112,992	4.76%
2018	152,960	152,960	-	2,848,327	5.37%
2017	156,370	156,370	-	2,850,144	5.49%
2016	175,434	175,434	-	2,636,184	6.65%
2015	170,809	170,809	-	2,541,822	6.72%
2014	225,492	225,492	-	2,522,284	8.94%
2013	222,173	222,173	-	2,485,160	8.94%
2012	130,192	130,192	-	2,337,373	5.57%

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Employer's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2020

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)
				(5)	
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, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
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, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Employer's Share of Net LODA OPEB Liability

Line of Duty Act (LODA) Program

For the Measurement Dates of June 30, 2017 through June 30, 2020

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)
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, 2021

Date	Contributions in Relation to		Contribution Deficiency (Excess)	Contributions as a % of	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)		Covered- Employee Payroll * (4)	Covered - Employee Payroll (5)
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, 2021

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, 2019 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

Other Supplementary Information

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

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	\$ 2,163,049	\$ 2,163,049	\$ 2,223,250	\$ 60,201
Real and personal public service corporation taxes	35,284	35,284	38,118	2,834
Personal property and machinery & tools taxes	720,000	720,000	815,044	95,044
Penalties	21,000	21,000	40,107	19,107
Interest	7,920	7,920	13,159	5,239
Total general property taxes	\$ 2,947,253	\$ 2,947,253	\$ 3,129,678	\$ 182,425
Other local taxes:				
Local sales and use taxes	\$ 321,300	\$ 321,300	\$ 491,199	\$ 169,899
Cigarette taxes	218,550	218,550	204,416	(14,134)
Bank stock taxes	138,000	138,000	154,541	16,541
Business license tax	338,555	338,555	399,293	60,738
Utility license taxes	214,000	214,000	190,767	(23,233)
Transient taxes	192,100	192,100	187,627	(4,473)
Meals tax	1,618,245	1,618,245	2,038,190	419,945
Vehicle licenses	212,000	212,000	263,870	51,870
Peg Channel capital fee	1,920	1,920	1,871	(49)
Consumption tax	51,000	51,000	53,139	2,139
Total other local taxes	\$ 3,305,670	\$ 3,305,670	\$ 3,984,913	\$ 679,243
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 42,795	\$ 42,795	\$ 59,029	\$ 16,234
Refuse collection fee	216,865	216,865	213,404	(3,461)
Total permits, privilege fees, and regulatory licenses	\$ 259,660	\$ 259,660	\$ 272,433	\$ 12,773
Fines and forfeitures:				
Police fines	\$ 43,000	\$ 43,000	\$ 43,345	\$ 345
Total fines and forfeitures	\$ 43,000	\$ 43,000	\$ 43,345	\$ 345
Revenue from use of money and property:				
Revenue from use of money	\$ 63,750	\$ 63,750	\$ 17,671	\$ (46,079)
Revenue from use of property	358,995	358,995	260,832	(98,163)
Total revenue from use of money and property	\$ 422,745	\$ 422,745	\$ 278,503	\$ (144,242)
Miscellaneous:				
Miscellaneous	\$ 650	\$ 650	\$ 61,538	\$ 60,888
VML insurance safety grant	-	-	4,000	4,000
Donations	181,604	181,604	161,395	(20,209)
Insurance recoveries	-	-	1,335	1,335
Total miscellaneous	\$ 182,254	\$ 182,254	\$ 228,268	\$ 46,014
Total revenue from local sources	\$ 7,160,582	\$ 7,160,582	\$ 7,937,140	\$ 776,558
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 186,000	\$ 186,000	\$ 174,279	\$ (11,721)
PPTRA	240,795	240,795	240,795	-
Auto rental tax	5,000	5,000	6,736	1,736
Rolling stock tax	150	150	44	(106)
Games of skill tax	-	-	19,728	19,728
Other noncategorical aid	-	-	26	26
Total noncategorical aid	\$ 431,945	\$ 431,945	\$ 441,608	\$ 9,663

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021 (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	\$ 172,904	\$ 172,904	\$ 193,096	\$ 20,192
Total shared expenses	\$ 172,904	\$ 172,904	\$ 193,096	\$ 20,192
Other categorical aid:				
Fire programs fund	\$ -	\$ -	\$ 30,827	\$ 30,827
Virginia Commission of Arts Grant	4,500	4,500	4,500	-
VDOT - Urban Funds	185,922	1,012,243	27,705	(984,538)
Litter control grant	-	-	3,132	3,132
Total other categorical aid	\$ 190,422	\$ 1,016,743	\$ 66,164	\$ (950,579)
Total categorical aid	\$ 363,326	\$ 1,189,647	\$ 259,260	\$ (930,387)
Total revenue from the Commonwealth	\$ 795,271	\$ 1,621,592	\$ 700,868	\$ (920,724)
Revenue from the federal government:				
Categorical aid:				
Federal Grants - Bulletproof Vest Partnership	\$ -	\$ -	\$ 1,984	\$ 1,984
Coronavirus Relief Fund	-	533,235	979,788	446,553
Highway Planning and Construction	826,321	826,321	123,132	(703,189)
Pinewood Heights CDBG Relocation Grant	272,000	272,000	249,071	(22,929)
State and Community Highway Safety Grant	-	-	6,300	6,300
National Priority Safety Programs	-	-	8,431	8,431
Total categorical aid	\$ 1,098,321	\$ 1,631,556	\$ 1,368,706	\$ (262,850)
Total revenue from the federal government	\$ 1,098,321	\$ 1,631,556	\$ 1,368,706	\$ (262,850)
Total General Fund	\$ 9,054,174	\$ 10,413,730	\$ 10,006,714	\$ (407,016)
Highway Maintenance Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest	\$ 250	\$ 250	\$ 240	\$ (10)
Miscellaneous revenue:				
Insurance reimbursement	\$ -	\$ -	\$ 24,792	\$ 24,792
Total revenue from local sources	\$ 250	\$ 250	\$ 25,032	\$ 24,782
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Street and highway maintenance	\$ 1,247,245	\$ 1,247,245	\$ 1,289,244	\$ 41,999
Total revenue from the Commonwealth	\$ 1,247,245	\$ 1,247,245	\$ 1,289,244	\$ 41,999
Revenue from the federal government:				
Categorical aid:				
Coronavirus Relief Fund	\$ -	\$ 263	\$ 335	\$ 72
Total revenue from the federal government	\$ -	\$ 263	\$ 335	\$ 72
Total Highway Maintenance Fund	\$ 1,247,495	\$ 1,247,758	\$ 1,314,611	\$ 66,853
Total Primary Government	\$ 10,301,669	\$ 11,661,488	\$ 11,321,325	\$ (340,163)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 208,876	\$ 627,315	\$ 563,231	\$ 64,084
Town Manager	518,334	548,011	535,474	12,537
Treasurer	713,673	713,753	611,678	102,075
Total general government administration	\$ 1,440,883	\$ 1,889,079	\$ 1,710,383	\$ 178,696
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,532,777	\$ 2,566,584	\$ 2,403,520	\$ 163,064
Total law enforcement and traffic control	\$ 2,532,777	\$ 2,566,584	\$ 2,403,520	\$ 163,064
Fire and rescue services:				
Fire department	\$ 15,000	\$ 15,000	\$ 45,827	\$ (30,827)
E-911 dispatch	320,936	320,936	306,797	14,139
Total fire and rescue services	\$ 335,936	\$ 335,936	\$ 352,624	\$ (16,688)
Total public safety	\$ 2,868,713	\$ 2,902,520	\$ 2,756,144	\$ 146,376
Public works:				
Public works engineering, trash removal:				
Engineering, trash removal, maintenance	\$ 964,517	\$ 993,931	\$ 747,694	\$ 246,237
Maintenance of general buildings and grounds:				
Public buildings	\$ 209,557	\$ 257,117	\$ 347,672	\$ (90,555)
Total public works	\$ 1,174,074	\$ 1,251,048	\$ 1,095,366	\$ 155,682
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 318,405	\$ 588,549	\$ 561,271	\$ 27,278
Smithfield CHIP Program	5,000	5,000	686	4,314
Clontz Park	3,000	6,700	7,621	(921)
Farmers Market	3,000	3,000	3,800	(800)
Fireworks	2,000	2,000	7,500	(5,500)
Haydens Lane Maintenance	1,000	1,000	552	448
Veterans War Memorial	3,000	3,000	578	2,422
Isle of Wight Arts League	9,000	9,000	9,000	-
Jersey Park Playground	2,000	17,960	16,860	1,100
Museum	206,242	206,467	182,782	23,685
Regional Library	3,600	3,600	-	3,600
Smithfield Center	363,268	141,505	140,557	948
Waterworks Lake Park and Dam	46,250	46,250	63,768	(17,518)
Luter Sports Complex	70,140	258,652	180,489	78,163
Windsor Castle Manor House	86,851	40,765	34,587	6,178
Windsor Castle Park	93,309	49,201	64,916	(15,715)
Total parks, recreation, and cultural	\$ 1,216,065	\$ 1,382,649	\$ 1,274,967	\$ 107,682

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021 (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:				
Old courthouse contribution	\$ 4,400	\$ 4,400	\$ 4,400	\$ -
Chamber of Commerce	6,000	6,000	6,000	-
Christian Outreach	12,650	12,650	25,000	(12,350)
Genieve Shelter	7,920	7,920	7,920	-
Hampton Roads Planning District	-	-	10,757	(10,757)
YMCA Project	50,000	50,000	50,000	-
CDBG and Pinewood Heights	966,862	966,862	917,727	49,135
TRIAD	1,650	1,650	-	1,650
Tourism Bureau	273,543	273,543	270,544	2,999
Tax Relief for Elderly & Veterans	48,255	48,255	63,603	(15,348)
Western Tidewater Free Clinic	40,560	40,560	45,791	(5,231)
Total community development	<u>\$ 1,411,840</u>	<u>\$ 1,411,840</u>	<u>\$ 1,401,742</u>	<u>\$ 10,098</u>
Capital projects:				
Function:				
General Government - Treasurer	\$ 135,720	\$ 135,720	\$ 28,745	\$ 106,975
Public Safety - Police	84,000	84,000	287,471	(203,471)
Public Works - other	1,032,843	1,032,843	190,253	842,590
Community Development - property acquisition	60,000	60,000	48,000	12,000
Total capital projects	<u>\$ 1,312,563</u>	<u>\$ 1,312,563</u>	<u>\$ 554,469</u>	<u>\$ 758,094</u>
Debt service:				
Principal retirement and interest	\$ 403,696	\$ 403,696	\$ 427,171	\$ (23,475)
Interest and other fiscal charges	78,500	78,500	92,884	(14,384)
Total debt service	<u>\$ 482,196</u>	<u>\$ 482,196</u>	<u>\$ 520,055</u>	<u>\$ (37,859)</u>
Total General Fund	<u>\$ 9,906,334</u>	<u>\$ 10,631,895</u>	<u>\$ 9,313,126</u>	<u>\$ 1,318,769</u>
Highway Maintenance Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highway maintenance	\$ 1,247,495	\$ 1,247,495	\$ 1,360,469	\$ (112,974)
Highway capital outlay	-	-	25,864	(25,864)
Total Highway Maintenance Fund	<u>\$ 1,247,495</u>	<u>\$ 1,247,495</u>	<u>\$ 1,386,333</u>	<u>\$ (138,838)</u>
Total Primary Government	<u>\$ 11,153,829</u>	<u>\$ 11,879,390</u>	<u>\$ 10,699,459</u>	<u>\$ 1,179,931</u>

Other Statistical Information

TOWN OF SMITHFIELD, VIRGINIA

Net Position by Component
Last Ten Fiscal Years

	2021	2020	2019	2018
Governmental activities				
Net investment in capital assets	\$ 25,686,339	\$ 25,813,746	\$ 22,192,996	\$ 20,147,780
Restricted	310,838	372,195	107,635	423,552
Unrestricted	9,018,478	8,433,786	8,453,823	8,680,771
Total governmental activities net position	<u>\$ 35,015,655</u>	<u>\$ 34,619,727</u>	<u>\$ 30,754,454</u>	<u>\$ 29,252,103</u>
Business-type activities				
Net investment in capital assets	\$ 12,817,441	\$ 12,259,196	\$ 12,356,908	\$ 12,182,289
Restricted	3,424,674	3,200,895	3,125,014	3,033,839
Unrestricted	3,601,950	4,421,817	4,219,295	3,521,849
Total business-type activities net position	<u>\$ 19,844,065</u>	<u>\$ 19,881,908</u>	<u>\$ 19,701,217</u>	<u>\$ 18,737,977</u>
Primary government				
Net investment in capital assets	\$ 38,503,780	\$ 38,072,942	\$ 34,549,904	\$ 32,330,069
Restricted	3,735,512	3,573,090	3,232,649	3,457,391
Unrestricted	12,620,428	12,855,603	12,673,118	12,202,620
Total primary government net position	<u>\$ 54,859,720</u>	<u>\$ 54,501,635</u>	<u>\$ 50,455,671</u>	<u>\$ 47,990,080</u>

Table 1

2017	2016	2015	2014	2013	2012
\$ 21,015,145	\$ 21,084,936	\$ 19,325,305	\$ 19,858,407	\$ 20,341,956	\$ 20,238,480
1,258,418	1,896,404	130,778	161,059	176,929	-
7,236,182	6,507,589	6,366,159	5,125,703	4,478,388	2,877,537
<u>\$ 29,509,745</u>	<u>\$ 29,488,929</u>	<u>\$ 25,822,242</u>	<u>\$ 25,145,169</u>	<u>\$ 24,997,273</u>	<u>\$ 23,116,017</u>
\$ 12,145,829	\$ 12,022,648	\$ 12,041,397	\$ 12,149,969	\$ 12,456,082	\$ 12,248,298
2,764,024	2,261,716	2,118,384	1,793,475	1,509,709	2,233,571
3,181,201	3,268,468	2,914,632	2,694,709	2,397,006	1,657,184
<u>\$ 18,091,054</u>	<u>\$ 17,552,832</u>	<u>\$ 17,074,413</u>	<u>\$ 16,638,153</u>	<u>\$ 16,362,797</u>	<u>\$ 16,139,053</u>
\$ 33,160,974	\$ 33,107,584	\$ 31,366,702	\$ 32,008,376	\$ 32,798,038	\$ 32,486,778
4,022,442	4,158,120	2,249,162	1,954,534	1,686,638	2,233,571
10,417,383	9,776,057	9,280,791	7,820,412	6,875,394	4,534,721
<u>\$ 47,600,799</u>	<u>\$ 47,041,761</u>	<u>\$ 42,896,655</u>	<u>\$ 41,783,322</u>	<u>\$ 41,360,070</u>	<u>\$ 39,255,070</u>

TOWN OF SMITHFIELD, VIRGINIA

Change in Net Position
Last Ten Fiscal Years

	2021	2020	2019	2018
Expenses				
Governmental activities:				
General government administration	\$ 1,807,433	\$ 1,324,043	\$ 1,218,767	\$ 1,193,699
Public safety	2,840,138	2,687,945	2,335,986	2,412,254
Public works	2,846,710	2,648,183	2,531,611	2,303,138
Parks, recreation, and cultural	1,830,395	1,931,278	1,724,153	1,892,333
Community development	1,401,742	1,458,373	676,948	742,362
Interest on long-term debt	100,526	86,375	107,901	127,571
Total governmental activities expenses	\$ 10,826,944	\$ 10,136,197	\$ 8,595,366	\$ 8,671,357
Business-type activities:				
Water	\$ 2,513,706	\$ 1,878,610	\$ 1,593,655	\$ 1,548,749
Sewer	1,099,535	1,064,151	903,326	838,798
Total business-type activities expenses	\$ 3,613,241	\$ 2,942,761	\$ 2,496,981	\$ 2,387,547
Total primary government expenses	\$ 14,440,185	\$ 13,078,958	\$ 11,092,347	\$ 11,058,904
Program Revenue				
Governmental activities:				
Charges for services:	\$ 315,778	\$ 148,673	\$ 87,206	\$ 91,082
Operating grants and contributions	2,766,708	2,495,025	1,557,719	1,743,669
Capital grants and contributions	230,837	3,702,277	1,303,665	132,597
Total governmental activities program revenues	\$ 3,313,323	\$ 6,345,975	\$ 2,948,590	\$ 1,967,348
Business-type activities:				
Charges for services:				
Water	\$ 1,813,365	\$ 1,722,097	\$ 1,692,607	\$ 1,591,685
Sewer	1,224,897	1,125,190	1,158,739	1,236,027
Operating grants and contributions	6,523	-	-	-
Capital grants and contributions	417,280	194,180	522,900	182,580
Total business-type activities program revenues	\$ 3,462,065	\$ 3,041,467	\$ 3,374,246	\$ 3,010,292
Total primary government program revenues	\$ 6,775,388	\$ 9,387,442	\$ 6,322,836	\$ 4,977,640
Governmental activities	\$ (7,513,621)	\$ (3,790,222)	\$ (5,646,776)	\$ (6,704,009)
Business-type activities	(151,176)	98,706	877,265	622,745
Total primary government net expense	\$ (7,664,797)	\$ (3,691,516)	\$ (4,769,511)	\$ (6,081,264)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 3,031,225	\$ 3,129,739	\$ 2,519,668	\$ 2,495,373
Franchise taxes	190,767	201,256	192,386	197,901
Sales taxes	491,199	414,610	357,250	357,917
Other taxes	3,302,947	2,960,400	3,058,161	2,898,901
Grants and contributions not restricted to specific programs	278,743	445,037	448,490	460,881
Gain (Loss) on disposition of capital assets	-	-	-	-
Revenues from use of property and money	441,608	404,317	460,292	334,010
Miscellaneous	173,060	100,136	112,880	208,605
Other-Insurance Recoveries	-	-	-	-
Total governmental activities	\$ 7,909,549	\$ 7,655,495	\$ 7,149,127	\$ 6,953,588
Business-type activities:				
Miscellaneous	\$ 100,683	\$ 40,740	\$ 26,967	\$ 17,445
Other-Insurance Recoveries	-	-	-	-
Revenues from use of property and money	12,650	41,245	59,008	40,513
Total business-type activities	\$ 113,333	\$ 81,985	\$ 85,975	\$ 57,958
Total primary government	\$ 8,022,882	\$ 7,737,480	\$ 7,235,102	\$ 7,011,546
Change in Net Position				
Governmental activities	\$ 395,928	\$ 3,865,273	\$ 1,502,351	\$ 249,579
Business-type activities	(37,843)	180,691	963,240	680,703
Total primary government	\$ 358,085	\$ 4,045,964	\$ 2,465,591	\$ 930,282

Table 2

2017	2016	2015	2014	2013	2012
\$ 1,172,634	\$ 1,053,933	\$ 1,003,355	\$ 964,395	\$ 1,008,448	\$ 849,523
2,501,166	2,395,527	2,364,059	2,397,623	2,363,849	2,357,991
2,460,615	2,462,073	2,287,246	2,388,421	2,090,010	2,209,701
1,468,199	945,848	916,654	826,369	691,306	740,853
1,903,649	1,144,472	1,039,243	1,004,920	646,422	458,015
50,342	44,266	41,771	35,648	43,342	34,721
<u>\$ 9,556,605</u>	<u>\$ 8,046,119</u>	<u>\$ 7,652,328</u>	<u>\$ 7,617,376</u>	<u>\$ 6,843,377</u>	<u>\$ 6,650,804</u>
\$ 1,623,458	\$ 1,535,791	\$ 1,751,634	\$ 1,632,400	\$ 1,546,489	\$ 1,637,463
930,017	972,556	1,011,978	1,121,187	1,245,035	1,594,505
<u>\$ 2,553,475</u>	<u>\$ 2,508,347</u>	<u>\$ 2,763,612</u>	<u>\$ 2,753,587</u>	<u>\$ 2,791,524</u>	<u>\$ 3,231,968</u>
<u>\$ 12,110,080</u>	<u>\$ 10,554,466</u>	<u>\$ 10,415,940</u>	<u>\$ 10,370,963</u>	<u>\$ 9,634,901</u>	<u>\$ 9,882,772</u>
\$ 97,832	\$ 91,602	\$ 105,848	\$ 92,796	\$ 85,572	\$ 539,710
1,862,264	1,305,965	1,263,354	1,268,617	1,335,108	1,394,579
957,221	3,555,770	150,800	374,394	1,516,875	2,281,395
<u>\$ 2,917,317</u>	<u>\$ 4,953,337</u>	<u>\$ 1,520,002</u>	<u>\$ 1,735,807</u>	<u>\$ 2,937,555</u>	<u>\$ 4,215,684</u>
\$ 1,598,568	\$ 1,590,719	\$ 1,624,519	\$ 1,626,650	\$ 1,594,540	\$ 1,521,884
1,241,163	1,201,638	1,214,154	1,201,756	1,181,471	1,370,018
-	-	-	-	-	-
217,840	150,444	211,594	178,369	212,202	120,586
<u>\$ 3,057,571</u>	<u>\$ 2,942,801</u>	<u>\$ 3,050,267</u>	<u>\$ 3,006,775</u>	<u>\$ 2,988,213</u>	<u>\$ 3,012,488</u>
<u>\$ 5,974,888</u>	<u>\$ 7,896,138</u>	<u>\$ 4,570,269</u>	<u>\$ 4,742,582</u>	<u>\$ 5,925,768</u>	<u>\$ 7,228,172</u>
<u>\$ (6,639,288)</u>	<u>\$ (3,092,782)</u>	<u>\$ (6,132,326)</u>	<u>\$ (5,881,569)</u>	<u>\$ (3,905,822)</u>	<u>\$ (2,435,120)</u>
504,096	434,454	286,655	253,188	196,689	(219,480)
<u>\$ (6,135,192)</u>	<u>\$ (2,658,328)</u>	<u>\$ (5,845,671)</u>	<u>\$ (5,628,381)</u>	<u>\$ (3,709,133)</u>	<u>\$ (2,654,600)</u>
\$ 2,244,184	\$ 2,432,132	\$ 2,304,590	\$ 2,498,772	\$ 2,352,590	\$ 2,602,423
190,102	137,832	130,227	134,609	116,784	131,046
367,527	330,898	313,161	293,935	259,165	323,039
2,817,556	2,712,974	2,585,464	2,319,444	2,209,427	1,905,360
682,356	473,672	480,541	480,105	493,914	-
6,268	289,162	17,028	28,142	18,722	(900,500)
234,640	271,179	239,991	205,654	193,830	306,049
117,471	111,620	178,676	68,804	138,522	19,269
-	-	-	-	4,124	34,018
<u>\$ 6,660,104</u>	<u>\$ 6,759,469</u>	<u>\$ 6,249,678</u>	<u>\$ 6,029,465</u>	<u>\$ 5,787,078</u>	<u>\$ 4,420,704</u>
\$ 11,539	\$ 26,793	\$ 15,663	\$ 10,642	\$ 7,543	\$ 3,091
-	-	-	-	7,110	-
22,587	17,172	13,117	11,526	12,402	14,449
<u>\$ 34,126</u>	<u>\$ 43,965</u>	<u>\$ 28,780</u>	<u>\$ 22,168</u>	<u>\$ 27,055</u>	<u>\$ 14,449</u>
<u>\$ 6,694,230</u>	<u>\$ 6,803,434</u>	<u>\$ 6,278,458</u>	<u>\$ 6,051,633</u>	<u>\$ 5,814,133</u>	<u>\$ 4,435,153</u>
\$ 20,816	\$ 3,666,687	\$ 117,352	\$ 147,896	\$ 1,881,256	\$ 1,985,584
538,222	478,419	315,435	275,356	223,744	(205,031)
<u>\$ 559,038</u>	<u>\$ 4,145,106</u>	<u>\$ 432,787</u>	<u>\$ 423,252</u>	<u>\$ 2,105,000</u>	<u>\$ 1,780,553</u>

TOWN OF SMITHFIELD, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2021	2020	2019	2018	2017
General Fund					
Nonspendable	\$ 89,150	\$ 48,769	\$ 71,395	\$ 86,943	\$ 47,593
Restricted	105,914	95,549	107,635	148,943	1,116,809
Committed	803,464	1,187,710	1,417,334	1,398,693	1,245,015
Unassigned	8,120,737	6,826,657	6,386,507	6,948,472	5,251,801
Total general fund	<u>\$ 9,119,265</u>	<u>\$ 8,158,685</u>	<u>\$ 7,982,871</u>	<u>\$ 8,583,051</u>	<u>\$ 7,661,218</u>
All Other Governmental Funds					
Nonspendable, reported in:					
Special revenue funds	\$ -	\$ -	\$ 2,643	\$ -	\$ -
Restricted, reported in:					
Special revenue funds	204,924	276,646	180,225	274,609	141,609
Assigned, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	8,108	8,108	8,108	8,108	8,108
Unassigned, reported in:					
Special revenue funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 213,032</u>	<u>\$ 284,754</u>	<u>\$ 190,976</u>	<u>\$ 282,717</u>	<u>\$ 149,717</u>
Total fund balances	<u>\$ 9,332,297</u>	<u>\$ 8,443,439</u>	<u>\$ 8,173,847</u>	<u>\$ 8,865,768</u>	<u>\$ 7,810,935</u>

Table 3

2016	2015	2014	2013	2012
\$ 87,451	\$ 37,522	\$ 2,128	\$ 36,723	-
1,800,803	130,778	161,059	176,929	-
203,984	144,384	22,444	19,903	-
5,331,092	5,353,610	4,878,078	4,058,330	2,691,180
<u>\$ 7,423,330</u>	<u>\$ 5,666,294</u>	<u>\$ 5,063,709</u>	<u>\$ 4,291,885</u>	<u>\$ 2,691,180</u>
\$ -	\$ -	\$ -	\$ -	-
95,601	-	-	-	-
-	83,872	38,064	109,859	-
8,108	8,108	8,108	8,108	8,108
-	-	-	-	(7,007)
<u>\$ 103,709</u>	<u>\$ 91,980</u>	<u>\$ 46,172</u>	<u>\$ 117,967</u>	<u>\$ 1,101</u>
<u>\$ 7,527,039</u>	<u>\$ 5,758,274</u>	<u>\$ 5,109,881</u>	<u>\$ 4,409,852</u>	<u>\$ 2,692,281</u>

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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
2021	\$ 1,710,383	\$ 2,756,144	\$ 2,481,699	\$ 1,274,967	\$ 1,401,742	\$ 554,469	\$ 427,171	\$ 92,884	\$ 10,699,459
2020	1,256,614	2,480,146	2,193,728	1,429,137	1,458,341	4,329,649	397,643	87,928	13,633,186
2019	1,230,019	2,235,444	2,150,485	1,459,716	677,111	2,289,276	882,258	105,400	11,029,709
2018	1,185,804	2,288,658	1,907,265	1,716,056	742,362	1,682,879	271,485	119,401	9,913,910
2017	1,135,211	2,312,087	2,049,108	1,292,176	1,698,649	3,351,960	90,800	50,367	11,980,358
2016	1,032,973	2,252,064	1,987,807	775,156	1,144,472	1,946,638	87,057	45,097	9,271,264
2015	992,342	2,269,098	1,943,321	750,219	1,039,243	588,277	45,492	40,748	7,668,740
2014	917,447	2,249,828	2,032,428	662,467	856,680	183,990	35,210	35,648	6,973,698
2013	934,052	2,328,340	2,730,845	635,558	656,362	-	482,211	43,345	7,810,713
2012	839,491	2,559,397	6,138,421	581,972	785,664	-	18,227	34,721	10,957,893

[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		
2021	\$ 3,129,678	\$ 3,984,913	\$ 272,433	\$ 43,345	\$ 278,743	\$ 1,990,112	\$ 1,369,041	-	\$ 253,060	\$ 11,321,325
2020	3,031,047	3,576,266	104,934	43,739	404,317	2,669,598	1,077,665	-	2,995,212	13,902,778
2019	2,514,739	3,607,797	46,850	40,356	460,292	2,557,452	148,777	-	716,525	10,092,788
2018	2,524,997	3,454,719	35,938	55,144	334,010	1,909,206	427,941	-	208,605	8,950,560
2017	2,257,766	3,375,185	34,890	62,942	234,640	1,832,838	564,799	214,204	1,007,471	9,584,735
2016	2,381,837	3,181,704	23,075	68,527	271,179	1,779,637	635,740	-	2,686,650	11,028,349
2015	2,410,696	3,028,852	41,506	64,342	239,991	1,740,239	154,456	-	178,676	7,858,758
2014	2,407,227	2,747,988	19,043	73,753	205,654	1,720,439	384,334	-	87,147	7,645,585
2013	2,361,401	2,585,376	17,176	68,396	193,830	1,853,459	682,438	5,559	947,087	8,714,722
2012	2,601,296	2,152,082	483,943	55,767	469,018	1,325,597	1,047,197	354,559	1,002,539	9,491,998

[1] Includes penalties.

Also, note that personal property tax relief from the state (\$240,795) was included with general property taxes in prior years but has been moved to revenues From Commonwealth as of 2013.

Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Boats	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
2021	\$.19/\$100	\$1/\$100 \$.19/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2020	\$.19/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2019	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2018	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2017	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.38/\$100	\$.16/\$100	\$1/\$100
2016	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2015	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2014	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2013	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2012	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100

[1] Mobile home rate.

Principal Taxpayers - Real Estate
June 30, 2021

Taxpayer	Type of Business	Assessed Valuation Real Estate	% of Total
Smithfield Foods, Inc.	Meat processing	\$ 39,882,100	3.37%
Smithfield Fresh Meats	Meat processing	35,863,600	3.03%
Suso 4 Smithfield FF LP	Real Estate	12,549,900	1.06%
Patrick Henry Hospital	Nursing home/Assisted Living	8,294,000	0.70%
Bradford Mews Associates	Apartment rentals	8,000,000	0.68%
Cypress Investment Holdings LLC	Land developer	6,049,900	0.51%
Smithfield Hotel LLC	Hotel/Lodging	6,026,400	0.51%
Morris Creek Landing Apartments	Apartment rentals	6,000,000	0.51%
Pack Development Company LLC	Restaurant/Hotel	5,194,004	0.44%
Smithfield Square Associates	Real estate	4,364,000	0.37%
CIG Cypress Run Plaza LLC	Commerical Real Estate	4,232,400	0.36%
Smithfield Ham & Products	Commercial/Industrial	4,190,200	0.35%
RPA TS Smithfield LLC	Commercial Real Estate	4,015,100	0.34%
Church Square LLC	Land developer	3,136,400	0.27%
Skyline-Fri 8 LP	Commercial Real Estate	3,108,700	0.26%
KLS Smithfield Development Group LLC	Commercial/Industrial	3,055,600	0.26%
Jersey Park Apartments LLC	Apartment rentals	2,800,000	0.24%
JVC LLC	Commercial Real Estate	2,724,800	0.23%
Gwaltney Properties One LLC	Commerical Real Estate	2,719,900	0.23%
Little Lewis R & Sandra E Trustees	Personal Real Estate	2,560,300	0.22%
Smithfield Packing Company	Meat processing	2,548,300	0.22%
Little Robert J III	Commercial Real Estate	2,522,700	0.21%
Little Robert J III & Anne R	Commercial/Hardware	2,520,500	0.21%
		<u>\$ 172,358,804</u>	<u>14.58%</u>
		Assessed Valuation Personal Property	% of Total
Gwaltney of Smithfield	Meat processing	47,451,867	31.72%
C R England Inc	Trucking/shipping	1,878,211	1.26%
LaSalle Solutions	Technology/Financing	1,464,546	0.98%
Premium Pet Health LLC	Dog food plant	1,433,841	0.96%
Riverside Convalescent Center	Nursing home/Assisted Living	1,056,421	0.71%
Spectrum Southeast	Cable/High Speed Internet Service Provider	1,016,804	0.68%
Food Lion LLC	Retail grocery	946,400	0.63%
Kroger Limited Partnership	Retail grocery	911,664	0.61%
Hampton Inn & Suites	Hotel/Lodging	663,120	0.44%
		<u>\$ 56,822,874</u>	<u>37.99%</u>

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
2021	\$ 3,301,218	\$ 3,235,277	98.0%	\$ 81,930	\$ 3,317,207	100.5%	\$ 104,019	3.2%
2020	3,082,192	2,948,210	95.7%	40,816	2,989,026	97.0%	225,823	7.3%
2019	2,703,772	2,677,156	99.0%	35,608	2,712,764	100.3%	139,894	5.2%
2018	2,679,540	2,656,014	99.1%	50,846	2,706,860	101.0%	139,596	5.2%
2017	2,668,084	2,629,217	98.5%	40,649	2,669,866	100.1%	181,149	6.8%
2016	2,602,315	2,530,923	97.3%	25,179	2,556,102	98.2%	205,135	7.9%
2015	2,620,463	2,541,353	97.0%	62,029	2,603,382	99.3%	186,735	7.1%
2014	2,629,086	2,552,923	97.1%	49,288	2,602,211	99.0%	228,354	8.7%
2013	2,687,986	2,597,231	96.6%	65,467	2,662,698	99.1%	327,334	12.2%
2012	2,707,913	2,615,584	96.6%	54,429	2,670,013	98.6%	294,531	10.9%

[1] Exclusive of penalties and interest. Tax years 2012-2016 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] Starting in FY 2014, penalties are not included

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

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

Fiscal Year	Population	Assessed Value	Gross and Net Bonded Debt [2]	Less: Debt Payable from Enterprise Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2021	8,441 [1]	\$ 1,331,494,871	\$ 6,004,356	\$ 2,260,373	\$ 3,743,983	0.28%	\$ 444
2020	8,441 [1]	1,298,608,557	6,020,769	1,949,623	4,071,146	0.31%	482
2019	8,441 [1]	1,251,982,678	6,710,634	2,306,498	4,404,136	0.35%	522
2018	8,287 [1]	1,233,040,324	7,877,421	2,656,970	5,220,451	0.42%	630
2017	8,287 [1]	1,228,195,669	6,507,832	2,998,000	3,509,832	0.29%	424
2016	8,287 [1]	1,264,903,187	3,970,025	3,034,840	935,185	0.07%	113
2015	8,287 [1]	1,270,545,592	4,548,745	3,526,503	1,022,242	0.08%	123
2014	8,220 [1]	1,262,169,562	4,494,595	3,861,161	633,434	0.05%	77
2013	8,143 [1]	1,242,935,697	4,948,510	4,279,866	668,644	0.05%	82
2012	8,089 [1]	1,291,801,806	5,303,476	4,682,823	620,653	0.05%	77

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

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

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

Fiscal Year	Governmental Funds		Total Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to Expenditures
	Principal	Interest			
2021	\$ 427,171	\$ 92,884	\$ 520,055	\$ 10,699,459	4.86%
2020	397,643	87,928	485,571	13,633,186	3.56%
2019	882,258	105,400	987,658	11,029,709	8.95%
2018	271,485	119,401	390,886	9,913,910	3.94%
2017	90,800	50,367	141,167	11,980,358	1.18%
2016	87,057	45,097	132,154	9,271,264	1.43%
2015	45,492	40,748	86,240	7,668,740	1.12%
2014	35,210	35,648	70,858	6,973,698	1.02%
2013	32,214	43,342	75,556	7,810,713	0.97%
2012	18,254	34,721	52,975	10,960,611	0.48%

Computation of Legal Debt Margin
As of June 30, 2021

Total assessed value of taxed real property	\$ 1,163,212,704
Debit limit - 10% of total assessed value	\$ 116,321,270
Amount of debt applicable to debt limit - gross debt	<u>6,004,356</u>
Legal debt margin	<u><u>\$ 110,316,914</u></u>

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

Function/Program	Full-time Equivalent Employees as of June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government										
Management services	4.20	3.56	3.53	4.40	4.18	3.40	3.40	3.40	3.33	2.80
Finance	6.80	6.80	6.69	6.80	6.91	6.95	5.80	5.80	5.80	4.71
Planning	2.32	2.63	2.27	1.85	1.85	1.85	2.00	2.15	2.35	2.35
Building	1.20	1.20	1.20	1.03	1.03	1.03	1.00	1.00	1.00	0.90
Other	-	-	0.67	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Police										
Officers	19.09	20.66	18.40	18.96	18.32	20.70	19.68	21.80	21.59	20.80
Civilians	4.00	4.00	4.06	4.70	4.70	4.70	4.59	3.77	3.80	2.46
Other public works										
Engineering	1.00	1.00	1.00	1.00	0.80	0.80	0.80	0.80	0.80	0.80
Other	6.20	5.64	7.83	8.38	8.07	7.70	7.14	6.36	7.86	7.57
Park and recreation	13.03	11.54	10.25	9.15	9.35	8.99	9.43	6.56	5.33	4.92
Water	7.51	7.56	7.44	6.49	7.09	6.61	7.14	6.42	7.22	6.08
Wastewater	5.08	4.86	4.16	3.91	4.97	5.16	4.81	4.55	5.97	5.96
Total	70.43	69.45	67.50	67.47	68.07	68.69	66.59	63.41	65.85	60.15

TOWN OF SMITHFIELD, VIRGINIA

Operating Indicators by Function/Program Last Ten Fiscal Years

Function/Program	2021	2020	2019	2018	2017
Police					
Physical arrests	135	144	156	160	200
Parking violations	12	19	6	5	39
Traffic violations	1346	1436	1154	1026	1395
Refuse collection					
Refuse collected (tons per day) [1]	8.57	7.92	8.38	8.26	7.57
Recycling collected (tons per day) [2]	0.00	1.60	1.56	1.63	2.06
Other public works					
Street resurfacing (lane miles) [1]	2.84	3.36	3.36	3.36	2.34
Potholes repaired [1]	20	25	17	21	43
Water					
New connections	59	31	65	23	25
Water mains breaks	77	76	77	64	29
Average daily consumption (thousands of gallons)	785.93	763.21	761.00	768.88	787.72
Peak daily consumption (thousands of gallons)	1,345.91	965.19	917.70	1139.67	1819.12

[1] Outsourced to subcontractors

[2] Recycling was discontinued in 2021

Table 13

2016	2015	2014	2013	2012
164	170	279	268	199
74	60	22	23	21
1471	1108	1689	1662	1,041
7.53	7.29	9.63	9.44	9.28
1.87	1.64	N/A	N/A	N/A
1.56	2.52	1.50	1.25	1.23
59	73	80	85	83
19	24	21	28	10
68	76	30	25	35
816.87	829.31	835.80	828.59	822.07
1782.13	1886.87	1949.25	1,968.15	1,821.23

TOWN OF SMITHFIELD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Function/Program					
Police					
Stations	1	1	1	1	1
Patrol units	18	21	21	21	21
Fire stations	1	1	1	1	1
Other public works					
Street (miles)	49.17	48.59	48.46	48.02	48.02
Streetlights	707	707	707	707	705
Traffic signals	7	7	7	7	7
Park and recreation					
Acreage*	311.86	311.86	311.86	311.86	311.86
Playgrounds	3	3	2	2	2
Conference centers	1	1	1	1	1
Water					
Water mains (miles)	50.00	38.25	38.25	38.25	38.25
Storage capacity (thousands of gallons)	1,050	1,120	1,120	1,120	1,120
Wastewater					
Sanitary sewers (miles)	50.00	38.25	38.25	38.25	38.25

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

Table 14

2016	2015	2014	2013	2012	2011
1	1	1	1	1	1
21	21	22	22	22	21
1	1	1	1	1	1
47.02	47.02	47.02	47.11	47.11	47.11
705	705	704	704	704	687
7	7	7	7	7	7
311.86	204.556	203.296	203.296	203.296	201.901
2	2	2	2	2	2
1	1	1	1	1	1
38.25	38.25	38.25	38.25	38.25	38.25
1,120	1,120	1,120	1,120	1,120	1,120
38.25	38.25	38.25	38.25	38.25	38.25

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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, 2021 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 8, 2021.

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 may exist that have not been identified.

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 8, 2021

**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

We have audited the Town of Smithfield, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Smithfield, Virginia's major federal programs for the year ended June 30, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2021.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 8, 2021

TOWN OF SMITHFIELD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation			
Pass-through payments:			
Virginia Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	Not Available	\$ 123,132
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	FSC-2020-50370-20370/FSC-2021-51421-21421	6,300
National Priority Safety Programs	20.616	FM6OT-2021-51422-21422/M6OT-2020-50187-20187	8,431
Subtotal Highway Safety Cluster			<u>14,731</u>
Total Department of Transportation			\$ <u>137,863</u>
Department of Treasury			
Pass-through payments:			
County of Isle of Wight, Virginia:			
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	\$ <u>986,646</u>
Department of Housing and Urban Development			
Pass-through payments:			
Virginia Department of Housing & Community Development:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	\$ <u>249,071</u>
Department of Justice			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ <u>1,984</u>
Total Expenditures of Federal Awards			\$ <u><u>1,375,564</u></u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2021

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, 2021. 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	\$ 1,368,706
Highway Fund	335
Water Fund	3,567
Sewer Fund	2,956
Total Federal revenues per financial statements	<u>\$ 1,375,564</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 1,375,564

TOWN OF SMITHFIELD, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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

21.019	COVID-19 - Coronavirus Relief Fund
--------	------------------------------------

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.

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