

TOWN OF SMITHFIELD, VIRGINIA



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024

TOWN OF SMITHFIELD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024

Prepared by:

Laura Ross, Town Treasurer

Town of Smithfield, Virginia

Town Council and Executive Officers

Mayor

Steven G. Bowman

Town Clerk

Lesley G. King

Vice-Mayor

Valerie C. Butler

Town Manager

Michael R. Stallings

Council Members

Randolph H. Pack
Raynard Gibbs
James Collins
Michael G. Smith
Jeffrey Brooks

Treasurer

Laura Ross

Chief of Police

Alonzo Howell

Finance

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

Public Works

Michael Smith (CH)
Randy Pack
Raynard Gibbs

Water and Sewer

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

Public Buildings and Welfare

Valerie C. Butler (CH)
James Collins
Randolph H. Pack

Public Safety - Police

James Collins (CH)
Jeffery Brooks
Raynard Gibbs

Parks and Recreation

Raynard Gibbs (CH)
Valerie C. Butler
Jeffrey Brooks

Isle of Wight Tourism Bureau

Jeffrey Brooks

Smithfield Planning Commission

Randolph H. Pack

Intergovernmental

Steven G. Bowman
Valerie C. Butler

**TOWN OF SMITHFIELD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024**

TABLE OF CONTENTS

	Page
Front Cover	1
Title Page	2
Town Council and Executive Officers	3
Table of Contents	4-5
 Independent Auditors' Report	 6-8
Management's Discussion and Analysis	9-14
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	17
Exhibit 2 Statement of Activities	18-19
Fund Financial Statements:	
Exhibit 3 Balance Sheet–Governmental Funds	21
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	22
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances–Governmental Funds	23
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Exhibit 7 Statement of Net Position–Proprietary Funds	25
Exhibit 8 Statement of Revenues, Expenses and Changes in Net Position–Proprietary Funds	26
Exhibit 9 Statement of Cash Flows–Proprietary Funds	27
Notes to Financial Statements	28-74
<u>Required Supplementary Information:</u>	
Exhibit 10 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual–General Fund	76
Exhibit 11 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual–Highway Maintenance Fund	77
Exhibit 12 Schedule of Changes in Net Pension Liability (Assets) and Related Ratios–Pension Plan	78-79
Exhibit 13 Schedule of Employer Contributions–Pension Plan	80
Exhibit 14 Notes to Required Supplementary Information–Pension Plan	81
Exhibit 15 Schedule of Town's Share of Net OPEB Liability–Group Life Insurance (GLI) Plan	82
Exhibit 16 Schedule of Employer Contributions–Group Life Insurance (GLI) Plan	83
Exhibit 17 Notes to Required Supplementary Information–Group Life Insurance (GLI) Plan	84

**TOWN OF SMITHFIELD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024**

TABLE OF CONTENTS (CONTINUED)

	Page
<u>Required Supplementary Information: (Continued)</u>	
Exhibit 18 Schedule of Employer's Share of Net OPEB Liability–Line of Duty Act (LODA) Program	85
Exhibit 19 Schedule of Employer Contributions–Line of Duty Act (LODA) Program	86
Exhibit 20 Notes to Required Supplementary Information–Line of Duty Act (LODA) Program	87
<u>Other Supplementary Information:</u>	
Supporting Schedules:	
Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds	90-91
Schedule 2 Schedule of Expenditures–Budget and Actual–Governmental Funds	92-93
Other Statistical Information:	
Table 1 Net Position by Component–Last Ten Fiscal Years	95-96
Table 2 Change in Net Position–Last Ten Fiscal Years	97-98
Table 3 Fund Balances of Governmental Funds–Last Ten Fiscal Years	99-100
Table 4 General Governmental Expenditures by Function–Last Ten Fiscal Years	101
Table 5 General Governmental Revenues by Source–Last Ten Fiscal Years	102
Table 6 Property Tax Rates–Last Ten Fiscal Years	103
Table 7 Property Tax Levies and Collections–Last Ten Fiscal Years	104
Table 8 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita–Last Ten Fiscal Years	105
Table 9 Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures–Last Ten Fiscal Years	106
Table 10 Computation of Legal Debt Margin	107
<u>Compliance:</u>	
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 <i>Government Auditing Standards</i>	109-110
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	111-113
Schedule of Expenditures of Federal Awards	114
Notes to Schedule of Expenditures of Federal Awards	115
Schedule of Findings and Questioned Costs	116



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Smithfield, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the Town of Smithfield, Virginia, as of and for the year ended June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows hereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024, on our consideration of Town of Smithfield, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Smithfield, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Smithfield, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer Cox Associates

Charlottesville, Virginia
December 20, 2024

Management's Discussion and Analysis

As management of Town of Smithfield (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$67.8 million (*net position*) of which governmental activities was \$44.0 million. Of this amount, \$21.3 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$5.4 million, of which the governmental activities accounted for an increase of \$4.3 million and business-type activities accounted for an increase of \$1.2 million.
- The total ending fund balance for the Town's governmental funds is \$16.0 million, an increase of \$3.1 million over the prior year. The ending fund balance of the general fund was \$15.6 million and is equal to 144% of the Town's fiscal year 2024 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$15.4 million, or 136% of general fund expenditures less any capital outlay expenditures.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

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

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 74 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedules related to pension and OPEB funding. Required supplementary information can be found on pages 76 through 87 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67.8 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$42.7 million, 63% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

Town of Smithfield, Virginia
Summary of Net Position
As of June 30, 2024 and June 30, 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 28,964,474	\$ 22,882,104	\$ 8,772,079	\$ 7,954,366	\$ 37,736,553	\$ 30,836,470
Capital assets	30,521,373	29,860,898	17,017,968	17,265,325	47,539,341	47,126,223
Total assets	\$ 59,485,847	\$ 52,743,002	\$ 25,790,047	\$ 25,219,691	\$ 85,275,894	\$ 77,962,693
Deferred outflows of resources	\$ 510,786	\$ 741,626	\$ 73,851	\$ 116,716	\$ 584,637	\$ 858,342
Long-term liabilities outstanding	\$ 3,849,369	\$ 4,080,658	\$ 1,801,649	\$ 2,248,916	\$ 5,651,018	\$ 6,329,574
Other liabilities	10,729,284	5,671,214	150,204	250,545	10,879,488	5,921,759
Total liabilities	\$ 14,578,653	\$ 9,751,872	\$ 1,951,853	\$ 2,499,461	\$ 16,530,506	\$ 12,251,333
Deferred inflows of resources	\$ 1,437,260	\$ 4,004,215	\$ 109,312	\$ 197,649	\$ 1,546,572	\$ 4,201,864
Net investment in capital assets	\$ 27,401,442	\$ 26,485,794	\$ 15,280,255	\$ 15,049,484	\$ 42,681,697	\$ 41,535,278
Restricted	1,757,531	1,538,803	2,010,519	4,277,288	3,768,050	5,816,091
Unrestricted	14,821,747	11,703,944	6,511,959	3,312,525	21,333,706	15,016,469
Total net position	\$ 43,980,720	\$ 39,728,541	\$ 23,802,733	\$ 22,639,297	\$ 67,783,453	\$ 62,367,838

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

As noted previously, the Town's overall (government and business-type activities) net position increased by \$5.4 million during the current fiscal year. The overall increase is attributed primarily to an increase in operating grants and contributions in both the governmental and proprietary funds.

Government-wide Financial Analysis: (Continued)

Governmental activities increased the Town's net position by \$4,252,179. The following table summarizes the Town's Statement of Activities:

Town of Smithfield, Virginia Changes in Net Position For the Years Ended June 30, 2024 and June 30, 2023						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 953,041	\$ 359,888	\$ 3,343,455	\$ 3,255,888	\$ 4,296,496	\$ 3,615,776
Operating grants and contributions	3,661,868	3,434,071	483,298	1,178,996	4,145,166	4,613,067
Capital grants and contributions	6,422	304,250	799,700	548,160	806,122	852,410
General revenues:						
Property taxes	4,772,012	3,503,775	-	-	4,772,012	3,503,775
Other taxes	4,743,918	4,655,874	-	-	4,743,918	4,655,874
Unrestricted revenues from the use of money	413,416	463,176	54,592	16,813	468,008	479,989
Miscellaneous	318,380	204,008	48,906	37,649	367,286	241,657
Grants and contributions not restricted to specific programs	400,489	412,448	-	-	400,489	412,448
Gain on disposal of capital assets	-	171,200	-	-	-	171,200
Total revenues	<u>\$ 15,269,546</u>	<u>\$ 13,508,690</u>	<u>\$ 4,729,951</u>	<u>\$ 5,037,506</u>	<u>\$ 19,999,497</u>	<u>\$ 18,546,196</u>
Expenses:						
General government administration	\$ 1,677,800	\$ 1,384,585	\$ -	\$ -	\$ 1,677,800	\$ 1,384,585
Public safety	3,518,314	3,111,588	-	-	3,518,314	3,111,588
Public works	2,113,159	3,510,433	-	-	2,113,159	3,510,433
Parks, recreation and cultural	1,956,875	1,977,092	-	-	1,956,875	1,977,092
Community development	1,684,451	751,809	-	-	1,684,451	751,809
Interest on long-term debt	66,768	63,975	-	-	66,768	63,975
Water fund	-	-	2,260,633	2,082,075	2,260,633	2,082,075
Sewer fund	-	-	1,305,882	1,314,647	1,305,882	1,314,647
Total expenses	<u>\$ 11,017,367</u>	<u>\$ 10,799,482</u>	<u>\$ 3,566,515</u>	<u>\$ 3,396,722</u>	<u>\$ 14,583,882</u>	<u>\$ 14,196,204</u>
Increase (decrease) in net position	<u>\$ 4,252,179</u>	<u>\$ 2,709,208</u>	<u>\$ 1,163,436</u>	<u>\$ 1,640,784</u>	<u>\$ 5,415,615</u>	<u>\$ 4,349,992</u>
Net position - beginning of year	<u>\$ 39,728,541</u>	<u>\$ 37,019,333</u>	<u>\$ 22,639,297</u>	<u>\$ 20,998,513</u>	<u>\$ 62,367,838</u>	<u>\$ 58,017,846</u>
Net position - end of year	<u>\$ 43,980,720</u>	<u>\$ 39,728,541</u>	<u>\$ 23,802,733</u>	<u>\$ 22,639,297</u>	<u>\$ 67,783,453</u>	<u>\$ 62,367,838</u>

Business-type activities increased the Town's net position by \$1,163,436. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town's Funds

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

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

In fiscal year 2024, the General Fund's operating revenues exceeded expenditures by \$2,779,134 and total fund balance increased \$2,945,358.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,442,440. The restricted fund balance was \$52,882, and nonspendable fund balance was \$133,219 and consisted of prepaid items inventory and leases.

Proprietary Fund: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer funds at the end of the year amounted to \$6,511,959. The total net position increased by \$1,163,436 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was over budget by \$2,085,395 with the surplus generated by general property taxes. Expenditures were under budget by \$287,275.

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to \$47.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, and machinery and equipment as well as lease assets and construction in progress.

Town of Smithfield, Virginia Capital Assets (net of depreciation) As of June 30, 2024 and June 30, 2023

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 11,116,015	\$ 10,152,358	\$ 214,481	\$ 214,481	\$ 11,330,496	\$ 10,366,839
Buildings and systems	6,325,112	6,528,496	6,481,663	6,735,326	12,806,775	13,263,822
Improvements other than buildings	3,061,444	3,332,340	101,760	57,225	3,163,204	3,389,565
Machinery & Equipment	690,219	791,997	1,985,148	2,200,521	2,675,367	2,992,518
Vehicles	107,883	82,778	398,653	380,415	506,536	463,193
Lease vehicles	371,336	324,121	-	-	371,336	324,121
Infrastructure	7,941,363	6,783,673	7,475,615	6,946,696	15,416,978	13,730,369
Art collections	9,133	9,835	-	-	9,133	9,835
Construction in progress	898,868	1,855,300	360,648	730,661	1,259,516	2,585,961
Total	<u>\$ 30,521,373</u>	<u>\$ 29,860,898</u>	<u>\$ 17,017,968</u>	<u>\$ 17,265,325</u>	<u>\$ 47,539,341</u>	<u>\$ 47,126,223</u>

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

Capital Asset and Debt Administration: (Continued)

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$5.7 million and details are summarized in the following table:

Town of Smithfield, Virginia						
Outstanding Obligations						
As of June 30, 2024 and June 30, 2023						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 2,737,431	\$ 3,041,487	\$ 678,569	\$ 931,513	\$ 3,416,000	\$ 3,973,000
Notes payable	-	-	1,059,144	1,247,736	1,059,144	1,247,736
Lease liabilities	382,500	329,777	-	-	382,500	329,777
Net OPEB liabilities	539,836	528,298	31,539	32,089	571,375	560,387
Compensated absences	189,602	181,096	32,397	37,578	221,999	218,674
Total	<u>\$ 3,849,369</u>	<u>\$ 4,080,658</u>	<u>\$ 1,801,649</u>	<u>\$ 2,248,916</u>	<u>\$ 5,651,018</u>	<u>\$ 6,329,574</u>

Debt associated with governmental activities decreased by \$231,289 while debt associated with business-type activities decreased by \$447,267.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total assessed value of taxed real property. The Town was in compliance with debt limitation as of June 30, 2024.

Additional information on the Town's long-term obligations can be found in Note 7.

Requests for Information

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

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
As of June 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 22,584,083	\$ 7,869,783	\$ 30,453,866
Receivables (net of allowance for uncollectibles):			
Taxes receivable	427,392	-	427,392
Accounts receivable	464,150	710,447	1,174,597
Leases receivable	494,202	-	494,202
Internal balances	2,142,976	(2,142,976)	-
Due from other governmental units	1,237,862	-	1,237,862
Inventories	61,546	281,624	343,170
Prepaid items	61,496	15,479	76,975
Restricted assets:			
Cash and cash equivalents	173,787	1,757,955	1,931,742
Net pension asset	1,316,980	279,767	1,596,747
Capital assets (net of accumulated depreciation):			
Land	11,116,015	214,481	11,330,496
Buildings and systems	6,325,112	6,481,663	12,806,775
Improvements other than buildings	3,061,444	101,760	3,163,204
Machinery and equipment	690,219	1,985,148	2,675,367
Vehicles	107,883	398,653	506,536
Lease vehicles	371,336	-	371,336
Infrastructure	7,941,363	7,475,615	15,416,978
Art collections	9,133	-	9,133
Construction in progress	898,868	360,648	1,259,516
Total assets	\$ 59,485,847	\$ 25,790,047	\$ 85,275,894
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 310,519	\$ 65,964	\$ 376,483
OPEB related items	200,267	7,887	208,154
Total deferred outflows of resources	\$ 510,786	\$ 73,851	\$ 584,637
LIABILITIES			
Accounts payable & other accrued expenses	\$ 6,334,373	\$ 82,804	\$ 6,417,177
Accrued wages & payroll liabilities	322,878	33,998	356,876
Customer deposits	-	27,203	27,203
Accrued interest payable	11,407	6,199	17,606
Due to other governmental units	563,896	-	563,896
Unearned revenue	3,418,678	-	3,418,678
Refunds to taxpayers	78,052	-	78,052
Long-term liabilities:			
Due within one year	469,425	527,537	996,962
Due in more than one year	3,379,944	1,274,112	4,654,056
Total liabilities	\$ 14,578,653	\$ 1,951,853	\$ 16,530,506
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 230,258	\$ -	\$ 230,258
Pension related items	486,689	103,389	590,078
OPEB related items	238,719	5,923	244,642
Leases receivable	481,594	-	481,594
Total deferred inflows of resources	\$ 1,437,260	\$ 109,312	\$ 1,546,572
NET POSITION			
Net investment in capital assets	\$ 27,401,442	\$ 15,280,255	\$ 42,681,697
Restricted:			
Net pension asset	1,316,980	279,767	1,596,747
Pinewood Heights escrow	14,108	-	14,108
Police department expenditures	38,774	-	38,774
Highway maintenance	387,669	-	387,669
Water debt service	-	992,318	992,318
Sewer compliance	-	738,434	738,434
Unrestricted	14,821,747	6,511,959	21,333,706
Total net position	\$ 43,980,720	\$ 23,802,733	\$ 67,783,453

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

Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,677,800	\$ -	\$ 50,130	\$ -
Public safety	3,518,314	67,733	1,332,572	-
Public works	2,113,159	312,979	1,715,032	6,422
Parks, recreation, and cultural	1,956,875	369,421	564,134	-
Community development	1,684,451	202,908	-	-
Interest on long-term debt	66,768	-	-	-
Total governmental activities	\$ 11,017,367	\$ 953,041	\$ 3,661,868	\$ 6,422
Business-type activities:				
Water	\$ 2,260,633	\$ 1,997,134	\$ 445,882	\$ 339,120
Sewer	1,305,882	1,346,321	37,416	460,580
Total business-type activities	\$ 3,566,515	\$ 3,343,455	\$ 483,298	\$ 799,700
Total primary government	\$ 14,583,882	\$ 4,296,496	\$ 4,145,166	\$ 806,122

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

Statement of Activities

For the Year Ended June 30, 2024

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:			
Governmental activities:			
General government administration	\$ (1,627,670)	\$ -	\$ (1,627,670)
Public safety	(2,118,009)	-	(2,118,009)
Public works	(78,726)	-	(78,726)
Parks, recreation, and cultural	(1,023,320)	-	(1,023,320)
Community development	(1,481,543)	-	(1,481,543)
Interest on long-term debt	(66,768)	-	(66,768)
Total governmental activities	\$ (6,396,036)	\$ -	\$ (6,396,036)
Business-type activities:			
Water	\$ -	\$ 521,503	\$ 521,503
Sewer	-	538,435	538,435
Total business-type activities	\$ -	\$ 1,059,938	\$ 1,059,938
Total primary government	\$ (6,396,036)	\$ 1,059,938	\$ (5,336,098)
General revenues:			
General property taxes	\$ 4,772,012	\$ -	\$ 4,772,012
Other local taxes:			
Local sales and use tax	584,070	-	584,070
Business licenses	525,025	-	525,025
Utility license taxes	215,934	-	215,934
Restaurant food taxes	2,483,228	-	2,483,228
Cigarette taxes	176,197	-	176,197
Motor vehicle taxes	238,546	-	238,546
Other local taxes	520,918	-	520,918
Unrestricted revenues from use of money	413,416	54,592	468,008
Miscellaneous	318,380	48,906	367,286
Grants and contributions not restricted to specific programs	400,489	-	400,489
Total general revenues	\$ 10,648,215	\$ 103,498	\$ 10,751,713
Change in net position	\$ 4,252,179	\$ 1,163,436	\$ 5,415,615
Net position - beginning	39,728,541	22,639,297	62,367,838
Net position - ending	\$ 43,980,720	\$ 23,802,733	\$ 67,783,453

Fund Financial Statements

Balance Sheet
Governmental Funds
As of June 30, 2024

	General	Highway Maintenance	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 22,584,083	\$ -	\$ -	\$ 22,584,083
Receivables (net of allowance for uncollectibles):				
Taxes receivable	427,392	-	-	427,392
Accounts receivable	464,150	-	-	464,150
Lease receivable	494,202	-	-	494,202
Due from other funds	3,461,148	3,698,256	8,151	7,167,555
Due from other governmental units	1,237,862	-	-	1,237,862
Inventories	61,546	-	-	61,546
Prepaid items	59,065	2,431	-	61,496
Restricted assets:				
Cash and cash equivalents	52,882	120,905	-	173,787
Total assets	<u>\$ 28,842,330</u>	<u>\$ 3,821,592</u>	<u>\$ 8,151</u>	<u>\$ 32,672,073</u>
LIABILITIES				
Accounts payable & other accrued expenditures	\$ 6,231,571	\$ 102,802	\$ -	\$ 6,334,373
Accrued wages & payroll liabilities	312,555	10,323	-	322,878
Due to other funds	1,706,169	3,318,367	43	5,024,579
Unearned revenue	3,418,678	-	-	3,418,678
Due to other governmental units	563,896	-	-	563,896
Refunds to taxpayers	78,052	-	-	78,052
Total liabilities	<u>\$ 12,310,921</u>	<u>\$ 3,431,492</u>	<u>\$ 43</u>	<u>\$ 15,742,456</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 421,274	\$ -	\$ -	\$ 421,274
Leases receivable	481,594	-	-	481,594
Total deferred inflows of resources	<u>\$ 902,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 902,868</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	\$ 59,065	\$ 2,431	\$ -	\$ 61,496
Inventory	61,546	-	-	61,546
Net lease receivable	12,608	-	-	12,608
Total nonspendable fund balance	<u>\$ 133,219</u>	<u>\$ 2,431</u>	<u>\$ -</u>	<u>\$ 135,650</u>
Restricted:				
Pinewood Heights escrow	\$ 14,108	\$ -	\$ -	\$ 14,108
Highway maintenance	-	387,669	-	387,669
Police department expenditures	38,774	-	-	38,774
Total restricted fund balance	<u>\$ 52,882</u>	<u>\$ 387,669</u>	<u>\$ -</u>	<u>\$ 440,551</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>\$ 15,442,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,442,440</u>
Total fund balances	<u>\$ 15,628,541</u>	<u>\$ 390,100</u>	<u>\$ 8,108</u>	<u>\$ 16,026,749</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,842,330</u>	<u>\$ 3,821,592</u>	<u>\$ 8,151</u>	<u>\$ 32,672,073</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, 2024

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	16,026,749
--	----	------------

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.

30,521,373

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

Deferred outflows - pension related	\$	310,519	
Deferred outflows - OPEB related		200,267	
Deferred inflows - pension related		(486,689)	
Deferred inflows - OPEB related		<u>(238,719)</u>	(214,622)

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

Net pension asset	1,316,980
-------------------	-----------

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	191,016
---	---------

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

(11,407)

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	\$	(2,737,431)	
Lease liabilities		(382,500)	
Compensated absences		(189,602)	
Net OPEB liabilities		<u>(539,836)</u>	<u>(3,849,369)</u>

Net position of governmental activities	\$	<u><u>43,980,720</u></u>
---	----	--------------------------

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, 2024

	General	Highway Maintenance	Capital Projects	Total
REVENUES				
General property taxes	\$ 4,776,511	\$ -	\$ -	\$ 4,776,511
Other local taxes	4,743,918	-	-	4,743,918
Permits, privilege fees, and regulatory licenses	512,339	-	-	512,339
Fines and forfeitures	37,572	-	-	37,572
Revenue from the use of money and property	816,414	132	-	816,546
Miscellaneous	318,380	-	-	318,380
Intergovernmental:				
Commonwealth	800,554	1,666,229	-	2,466,783
Federal	1,601,996	-	-	1,601,996
Total revenues	\$ 13,607,684	\$ 1,666,361	\$ -	\$ 15,274,045
EXPENDITURES				
Current:				
General government administration	\$ 1,713,502	\$ -	\$ -	\$ 1,713,502
Public safety	3,421,407	-	-	3,421,407
Public works	929,667	1,539,343	-	2,469,010
Parks, recreation, and cultural	1,526,647	-	-	1,526,647
Community development	1,704,120	-	-	1,704,120
Capital projects	1,047,618	-	-	1,047,618
Debt service:				
Principal retirement	434,880	-	-	434,880
Interest and other fiscal charges	50,709	-	-	50,709
Total expenditures	\$ 10,828,550	\$ 1,539,343	\$ -	\$ 12,367,893
Excess (deficiency) of revenues over (under) expenditures	\$ 2,779,134	\$ 127,018	\$ -	\$ 2,906,152
OTHER FINANCING SOURCES (USES)				
Issuance of leases	\$ 166,224	\$ -	\$ -	\$ 166,224
Total other financing sources (uses)	\$ 166,224	\$ -	\$ -	\$ 166,224
Net change in fund balances	\$ 2,945,358	\$ 127,018	\$ -	\$ 3,072,376
Fund balances - beginning	12,683,183	263,082	8,108	12,954,373
Fund balances - ending	\$ 15,628,541	\$ 390,100	\$ 8,108	\$ 16,026,749

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, 2024

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

Net change in fund balances - total governmental funds	\$ 3,072,376
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$ 1,968,613	
Depreciation expense	<u>(1,308,138)</u>	660,475

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

Property tax revenue	(4,498)
----------------------	---------

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

Issuance of leases	\$ (166,224)	
Principal retired on general obligation bonds, leases and notes	<u>417,557</u>	251,333

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	\$ (8,506)	
Change in net pension asset	94,479	
Change in net OPEB liabilities	(11,538)	
Change in deferred inflows related to the net OPEB liabilities	21,843	
Change in deferred inflows related to the net pension asset	405,788	
Change in deferred outflows related to net pension asset	(200,486)	
Change in deferred outflows related to net OPEB liabilities	(30,354)	
Change in accrued interest payable	<u>1,267</u>	<u>272,493</u>

Change in net position of governmental activities	\$ <u><u>4,252,179</u></u>
---	----------------------------

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

Statement of Net Position
Proprietary Funds
As of June 30, 2024

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,486,055	\$ 6,383,728	\$ 7,869,783
Prepaid expenses	12,470	3,009	15,479
Receivables, net of allowances for uncollectibles accounts	453,393	257,054	710,447
Due from other funds	982,449	103,535	1,085,984
Inventory	229,954	51,670	281,624
Total current assets	\$ 3,164,321	\$ 6,798,996	\$ 9,963,317
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 1,019,521	\$ 738,434	\$ 1,757,955
Net pension asset	172,177	107,590	279,767
Capital assets:			
Land	204,391	10,090	214,481
Improvements other than buildings	115,140	71,383	186,523
Vehicles	193,785	708,159	901,944
Buildings and systems	7,773,189	4,343,166	12,116,355
Machinery and equipment	2,176,439	4,401,958	6,578,397
Infrastructure	6,065,996	9,898,708	15,964,704
Construction in progress	360,648	-	360,648
Accumulated depreciation	(6,484,332)	(12,820,752)	(19,305,084)
Total capital assets	\$ 10,405,256	\$ 6,612,712	\$ 17,017,968
Total noncurrent assets	\$ 11,596,954	\$ 7,458,736	\$ 19,055,690
Total assets	\$ 14,761,275	\$ 14,257,732	\$ 29,019,007
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 40,596	\$ 25,368	\$ 65,964
OPEB related items	4,854	3,033	7,887
Total deferred outflows of resources	\$ 45,450	\$ 28,401	\$ 73,851
LIABILITIES			
Current liabilities:			
Accounts payable & other accrued expenses	\$ 70,169	\$ 12,635	\$ 82,804
Accrued wages & payroll liabilities	21,626	12,372	33,998
Customer deposits	27,203	-	27,203
Accrued interest payable	1,437	4,762	6,199
Due to other funds	1,775,460	1,453,500	3,228,960
Compensated absences - current portion	2,412	2,747	5,159
Notes payable - current portion	149,632	117,437	267,069
Bonds payable - current portion	255,309	-	255,309
Total current liabilities	\$ 2,303,248	\$ 1,603,453	\$ 3,906,701
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 423,260	\$ -	\$ 423,260
Notes payable - net of current portion	600,430	191,645	792,075
Net OPEB liabilities	19,410	12,129	31,539
Compensated absences - net of current portion	15,883	11,355	27,238
Total noncurrent liabilities	\$ 1,058,983	\$ 215,129	\$ 1,274,112
Total liabilities	\$ 3,362,231	\$ 1,818,582	\$ 5,180,813
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 63,628	\$ 39,761	\$ 103,389
OPEB related items	3,646	2,277	5,923
Total deferred inflows of resources	\$ 67,274	\$ 42,038	\$ 109,312
NET POSITION			
Net investment in capital assets	\$ 8,976,625	\$ 6,303,630	\$ 15,280,255
Restricted	1,164,495	846,024	2,010,519
Unrestricted	1,236,100	5,275,859	6,511,959
Total net position	\$ 11,377,220	\$ 12,425,513	\$ 23,802,733

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, 2024

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,725,771	\$ 1,346,321	\$ 3,072,092
Charges for services-debt service	271,363	-	271,363
Miscellaneous	48,906	-	48,906
Total operating revenues	\$ 2,046,040	\$ 1,346,321	\$ 3,392,361
OPERATING EXPENSES			
Personnel services	\$ 501,351	\$ 321,899	\$ 823,250
Employee benefits	36,427	39,554	75,981
Contractual	50,805	24,255	75,060
Maintenance, repairs, and truck operations	201,360	340,951	542,311
HRSD	476,250	-	476,250
Utilities	177,798	58,355	236,153
Supplies	255,980	37,361	293,341
Other charges	140,077	23,665	163,742
Depreciation	375,450	448,286	823,736
Total operating expenses	\$ 2,215,498	\$ 1,294,326	\$ 3,509,824
Operating income (loss)	\$ (169,458)	\$ 51,995	\$ (117,463)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue			
Federal	\$ 445,882	\$ 37,416	\$ 483,298
Investment income	12,976	41,616	54,592
Interest expense and other fiscal charges	(45,135)	(11,556)	(56,691)
Total nonoperating revenues (expenses)	\$ 413,723	\$ 67,476	\$ 481,199
Income (loss) before contributions	\$ 244,265	\$ 119,471	\$ 363,736
Contributed capital - availability fees	\$ 239,520	\$ 360,980	\$ 600,500
Contributed capital - development impact fees	99,600	99,600	199,200
Total contributed capital	\$ 339,120	\$ 460,580	\$ 799,700
Change in net position	\$ 583,385	\$ 580,051	\$ 1,163,436
Total net position - beginning	10,793,835	11,845,462	22,639,297
Total net position - ending	\$ 11,377,220	\$ 12,425,513	\$ 23,802,733

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,997,974	\$ 1,343,492	\$ 3,341,466
Payments to suppliers	(1,555,419)	1,253,385	(302,034)
Payments to and on behalf of employees	(583,292)	(393,534)	(976,826)
Net cash provided by (used for) operating activities	\$ (140,737)	\$ 2,203,343	\$ 2,062,606
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue	\$ 445,882	\$ 37,416	\$ 483,298
Net cash provided by (used for) noncapital financing activities	\$ 445,882	\$ 37,416	\$ 483,298
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (443,822)	\$ (132,557)	\$ (576,379)
Capital contributions	339,120	460,580	799,700
Proceeds from issuance of bonds and notes	834,275	132,205	966,480
Retirement of long-term indebtedness	(1,171,432)	(236,584)	(1,408,016)
Interest expense	(49,828)	(14,322)	(64,150)
Net cash provided by (used for) capital and related financing activities	\$ (491,687)	\$ 209,322	\$ (282,365)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 12,981	\$ 41,616	\$ 54,597
Net cash provided by (used for) investing activities	\$ 12,981	\$ 41,616	\$ 54,597
Net increase (decrease) in cash and cash equivalents	\$ (173,561)	\$ 2,491,697	\$ 2,318,136
Cash and cash equivalents - beginning, including restricted cash and cash equivalents of \$1,065,940 and \$3,032,068	2,679,137	4,630,465	7,309,602
Cash and cash equivalents - ending, including restricted cash and cash equivalents of \$1,019,521 and \$738,434	\$ 2,505,576	\$ 7,122,162	\$ 9,627,738
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (169,458)	\$ 51,995	\$ (117,463)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	375,450	448,286	823,736
(Increase) decrease in accounts receivable	5,149	(6,647)	(1,498)
(Increase) decrease in due from other funds	(635,687)	644,775	9,088
(Increase) decrease in due from other governmental units	-	3,818	3,818
(Increase) decrease in inventory	(16,878)	(3,293)	(20,171)
(Increase) decrease in prepaid expenses	(12,470)	(3,009)	(15,479)
(Increase) decrease in net pension asset	(12,351)	(7,718)	(20,069)
(Increase) decrease in deferred outflows of resources - OPEB related	168	106	274
(Increase) decrease in deferred outflows of resources - pension related	26,212	16,379	42,591
Increase (decrease) in compensated absences	(2,370)	(2,811)	(5,181)
Increase (decrease) in accrued payroll	(2,470)	(3,853)	(6,323)
Increase (decrease) in due to other funds	416,951	1,127,783	1,544,734
Increase (decrease) in accounts payable	(5,065)	(28,284)	(33,349)
Increase (decrease) in net OPEB liabilities	(338)	(212)	(550)
Increase (decrease) in deferred inflows of resources - OPEB related	(1,315)	(823)	(2,138)
Increase (decrease) in deferred inflows of resources - pension related	(53,050)	(33,149)	(86,199)
Increase (decrease) in customer deposits	(53,215)	-	(53,215)
Total adjustments	\$ 28,721	\$ 2,151,348	\$ 2,180,069
Net cash provided by (used for) operating activities	\$ (140,737)	\$ 2,203,343	\$ 2,062,606

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements As of June 30, 2024

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

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

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

A. Financial Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. *Governmental Funds:*

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

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

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

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

2. *Proprietary Funds:*

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Highway Maintenance Fund, Water Fund and Sewer Fund.
6. The budgets for the General Fund, Highway Maintenance Fund, Water Fund and Sewer Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. A review of the presented budget comparisons herein will disclose how accurately Town Council was actually able to forecast the revenues and expenditures of the Town.
8. Appropriations lapse on June 30, unless carried forward by a resolution of Town Council.
9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2024.
10. Expenditures did not exceed appropriations in the Highway Maintenance Fund or the General Fund for the year ended June 30, 2024.
11. In the General Fund, expenditures for General Government Administration and Community Development exceeded appropriations.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

F. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value. Investments in custody of others include unspent bond proceeds and accumulated interest that the County intends to use for the new government complex.,e

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 \$32,766 at June 30, 2024. The allowance for uncollectible billings in the water and sewer funds are \$105,112 and \$66,021, respectively.

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

I. Capital Assets

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

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

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

J. Compensated Absences

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

K. Long-term Obligations

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

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

L. Use of Estimates

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

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

M. Intergovernmental Agreements

Water Services Agreement:

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

Tourism Agreement:

The Town has a memorandum of understanding with Isle of Wight County to share the operating costs of the tourism center located in Smithfield. The tourism center is for the benefit of both Smithfield and Isle of Wight County. The total amount the Town expended related to this memorandum of understanding in fiscal year 2024 was \$308,306.

Erosion and Sediment Control Plan:

The Town has a memorandum of understanding with Isle of Wight County to develop an erosion and sediment control plan for each zoning permit that it issues. There were no expenditures related to this agreement in fiscal year 2024.

Fats, Oils, and Grease Control:

The Town, along with several other localities, has entered into a memorandum of understanding agreement with Hampton Roads Sanitation District related to control of the amounts of fats, oils, and grease draining into sanitary sewers from food service establishments. The total amount the Town expended during fiscal year 2024 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 2024.

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 2024 was \$423,812.

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

N. Deferred Outflows/Inflows of Resources

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

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

O. Pensions

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

P. Other Postemployment Benefits (OPEB)

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

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

Q. Net Position

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

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

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

R. Fund Balance

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

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

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

R. Fund Balance: (Continued)

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

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

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

S. Leases

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

Lessee

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

Lessor

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

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

S. Leases (Continued)

Key Estimates and Judgments

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

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

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

As of June 30, 2024, the Town had the following investments:

Town's Rated Debt Investments	
<u>Rated Debt Investments Value</u>	<u>Standard & Poor's Rating</u>
	<u>AAAm</u>
VACo/VML Virginia Investment Pool	\$ <u>7,702,285</u>
Total	\$ <u><u>7,702,285</u></u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements

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

Redemption Restrictions

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

Investment Credit Policy

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Credit Policy: (Continued)

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

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

Investment Type	Investment Maturity*	
	Fair Value	1-5 Years
VACo/VML Virginia Investment Pool	\$ 7,702,285	\$ 7,702,285
Total investments	\$ 7,702,285	\$ 7,702,285

* 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, 2024 (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, 2024, are detailed as follows:

	General	Highway Maintenance	Business-type Activities	
			Water	Sewer
Pinewood Heights escrow	\$ 14,108	\$ -	\$ -	\$ -
Police Department	38,774	-	-	-
Highway maintenance	-	120,905	-	-
Debt service	-	-	1,019,521	-
Compliance escrow	-	-	-	738,434
Total	<u>\$ 52,882</u>	<u>\$ 120,905</u>	<u>\$ 1,019,521</u>	<u>\$ 738,434</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	
Escrow	\$ -	\$ 913,909	\$ 1,173,942	\$ 2,087,851
Total	<u>\$ -</u>	<u>\$ 913,909</u>	<u>\$ 1,173,942</u>	<u>\$ 2,087,851</u>

NOTE 3—RECEIVABLES:

Accounts receivable are detailed as follows:

	Governmental Activities	Business-type Activities
Property taxes	\$ 460,158	\$ -
Consumer utility taxes	21,795	-
Consumption taxes	3,805	-
Transient occupancy tax	96,624	-
Meals tax	339,509	-
Other	2,417	-
Water and sewer billings	-	881,580
Total	<u>\$ 924,308</u>	<u>\$ 881,580</u>
Allowance for uncollectibles	<u>(32,766)</u>	<u>(171,133)</u>
Net receivables	<u>\$ 891,542</u>	<u>\$ 710,447</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 4—DUE FROM/TO OTHER GOVERNMENTS:

Details of amounts due from/to other governments as of June 30, 2024 are as follows:

Governmental Activities:	<u>Due From</u>	<u>Due To</u>
Commonwealth:		
Communications Tax	\$ 24,279	\$ -
FEMA	92,024	
Other	<u>33,026</u>	<u>-</u>
Due from/to Commonwealth	\$ <u>149,329</u>	\$ <u>-</u>
Federal Government:		
FEMA	\$ <u>874,228</u>	\$ <u>-</u>
Isle of Wight County:		
Local Sales Tax	\$ 103,115	\$ -
Fines	9,662	-
Other	<u>101,528</u>	<u>563,896</u>
Due from/to Isle of Wight County	\$ <u>214,305</u>	\$ <u>563,896</u>
Total Governmental Activities	\$ <u><u>1,237,862</u></u>	\$ <u><u>563,896</u></u>

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

NOTE 5—INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances are considered short-term in nature. All balances result from the time-lag between the dates that reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. At June 30, 2024, the balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ 3,461,148	\$ 1,706,169
Highway Fund	3,698,256	3,318,367
Capital Projects Fund	8,151	43
Enterprise Funds:		
Water Fund	982,449	1,775,460
Sewer Fund	<u>103,535</u>	<u>1,453,500</u>
Total	\$ <u><u>8,253,539</u></u>	\$ <u><u>8,253,539</u></u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of changes in capital assets:

Governmental Activities:	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 10,152,358	\$ 963,657	\$ -	\$ 11,116,015
Construction in progress	1,855,300	539,321	1,495,753	898,868
Total capital assets not being depreciated	\$ 12,007,658	\$ 1,502,978	\$ 1,495,753	\$ 12,014,883
Capital assets being depreciated:				
Art collections	\$ 118,466	\$ -	\$ -	\$ 118,466
Buildings and systems	10,012,585	42,431	-	10,055,016
Improvements other than buildings	5,662,120	50,000	-	5,712,120
Machinery and equipment	2,431,521	59,286	-	2,490,807
Vehicles	1,378,234	109,970	244,254	1,243,950
Lease vehicles	461,270	166,224	-	627,494
Infrastructure	12,598,740	1,533,477	-	14,132,217
Total capital assets being depreciated	\$ 32,662,936	\$ 1,961,388	\$ 244,254	\$ 34,380,070
Accumulated depreciation:				
Art collections	\$ (108,631)	\$ (702)	\$ -	\$ (109,333)
Buildings and systems	(3,484,089)	(245,815)	-	(3,729,904)
Improvements other than buildings	(2,329,780)	(320,896)	-	(2,650,676)
Machinery and equipment	(1,639,524)	(161,064)	-	(1,800,588)
Vehicles	(1,295,456)	(84,865)	(244,254)	(1,136,067)
Lease vehicles	(137,149)	(119,009)	-	(256,158)
Infrastructure	(5,815,067)	(375,787)	-	(6,190,854)
Total accumulated depreciation	\$ (14,809,696)	\$ (1,308,138)	\$ (244,254)	\$ (15,873,580)
Net capital assets being depreciated	\$ 17,853,240	\$ 653,250	\$ -	\$ 18,506,490
Capital assets, net	\$ 29,860,898	\$ 2,156,228	\$ 1,495,753	\$ 30,521,373

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 214,481	\$ -	\$ -	\$ 214,481
Construction in progress	730,661	429,403	799,416	360,648
Total capital assets not being depreciated	\$ 945,142	\$ 429,403	\$ 799,416	\$ 575,129
Capital assets being depreciated:				
Buildings and systems	\$ 12,116,355	\$ -	\$ -	\$ 12,116,355
Machinery and equipment	6,578,397	-	-	6,578,397
Infrastructure	15,165,288	799,416	-	15,964,704
Improvements other than buildings	135,227	51,296	-	186,523
Vehicles	806,264	95,680	-	901,944
Total capital assets being depreciated	\$ 34,801,531	\$ 946,392	\$ -	\$ 35,747,923
Accumulated depreciation:				
Buildings and systems	\$ (5,381,029)	\$ (253,663)	\$ -	\$ (5,634,692)
Machinery and equipment	(4,377,876)	(215,373)	-	(4,593,249)
Infrastructure	(8,218,592)	(270,497)	-	(8,489,089)
Improvements other than buildings	(78,002)	(6,761)	-	(84,763)
Vehicles	(425,849)	(77,442)	-	(503,291)
Total accumulated depreciation	\$ (18,481,348)	\$ (823,736)	\$ -	\$ (19,305,084)
Net capital assets being depreciated	\$ 16,320,183	\$ 122,656	\$ -	\$ 16,442,839
Capital assets, net	\$ 17,265,325	\$ 552,059	\$ 799,416	\$ 17,017,968

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

Governmental activities:

General government administration	\$ 17,314
Public safety	239,882
Public works (Highways and streets)	534,936
Parks, recreation and cultural	516,006
Total governmental activities	\$ 1,308,138
Business-type activities	\$ 823,736

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Contract Commitments

Contract commitments of the Town at June 30, 2024 related to capital assets are as follows:

Project	Spent-to-date	Remaining Commitment
MUNIS Conversion	\$ 324,944	\$ 9,531
LSC & WCP Maintenance Buildings	50,576	331,974
Pagan Water Main Replacement	395,868	18,250
Second RO Skid/Plant Upgrade	57,702	442,298
Total	<u>\$ 829,090</u>	<u>\$ 802,053</u>

NOTE 7—LONG-TERM OBLIGATIONS:

Governmental activities obligations

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

	Balance July 1, 2023	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2024
Direct borrowings and direct placements:				
General obligation bonds payable	\$ 3,041,487	\$ -	\$ (304,056)	\$ 2,737,431
Other liabilities:				
Lease liabilities	329,777	166,224	(113,501)	382,500
Net OPEB liabilities	528,298	482,136	(470,598)	539,836
Compensated absences	181,096	8,506	-	189,602
Totals	<u>\$ 4,080,658</u>	<u>\$ 656,866</u>	<u>\$ (888,155)</u>	<u>\$ 3,849,369</u>

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

Year Ending June 30,	Direct Borrowings and Direct Placements		Lease Liabilities	
	Bonds Payable			
	Principal	Interest	Principal	Interest
2025	\$ 308,691	\$ 44,590	\$ 127,279	\$ 16,428
2026	314,253	39,385	118,441	11,210
2027	319,815	34,103	73,155	6,671
2028	325,377	28,711	52,954	2,682
2029	330,012	23,243	10,671	217
2030-2033	1,139,283	36,977	-	-
Total	<u>\$ 2,737,431</u>	<u>\$ 207,009</u>	<u>\$ 382,500</u>	<u>\$ 37,208</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 7—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.	\$ <u>2,737,431</u>	\$ <u>308,691</u>
Other Liabilities:		
Lease Liabilities:		
\$210,899 comprised of 7 separate leases issued in varying individual amounts from \$23,025 to \$37,657 during fiscal year 2021. The leases are payable monthly over a 60 month period with principal and interest in variable amounts. Discount rates from 3.19% to 3.550%. The leases were issued to acquire Town vehicles.	\$ 80,290	\$ 46,195
\$153,977 comprised of 4 separate leases entered into with an individual amount of \$42,004 during fiscal year 2022. The leases are payable monthly over a 60 month period with principal and interest. Discount rate of 4.30%. The leases were issued to acquire Town vehicles.	56,308	23,281
\$135,645 comprised of 4 separate leases issued in varying individual amounts from \$27,250 to \$40,573 during fiscal year 2023. The leases are payable monthly over a 60 month period with principal and interest. Discount rates from 3.16% to 3.92%. The leases were issued to acquire Town vehicles.	100,080	26,727
\$166,224 comprised of 4 separate leases issued in varying individual amounts from \$35,106 to \$43,851 during fiscal year 2024. The leases are payable monthly over a 60 month period with principal and interest. Discount rates from 7.69% to 8.35%. The leases were issued to acquire Town vehicles.	<u>145,822</u>	<u>31,076</u>
Total Lease Liabilities	\$ <u>382,500</u>	\$ <u>127,279</u>
Compensated Absences (Note 9)	\$ <u>189,602</u>	\$ <u>33,455</u>
Net OPEB liabilities (Note 11)	\$ <u>539,836</u>	\$ <u>-</u>
Total governmental activities obligations	<u>\$ 3,849,369</u>	<u>\$ 469,425</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations

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

	Balance July 1, 2023	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2024
Direct borrowings and direct placements:				
General obligation bonds payable	\$ 931,513	\$ -	\$ (252,944)	\$ 678,569
Notes payable	1,247,736	966,480	(1,155,072)	1,059,144
Other liabilities:				
Net OPEB liabilities	32,089	13,802	(14,352)	31,539
Compensated absences	37,578	-	(5,181)	32,397
Totals	\$ 2,248,916	\$ 980,282	\$ (1,427,549)	\$ 1,801,649

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

Year Ending June 30,	Direct Borrowings and Direct Placements			
	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2025	\$ 255,309	\$ 8,335	\$ 267,069	\$ 58,606
2026	256,747	4,483	284,378	41,297
2027	25,185	2,686	200,876	25,449
2028	25,623	2,261	213,872	12,454
2029	25,988	1,830	92,949	1,354
2030-2033	89,717	2,912	-	-
Total	\$ 678,569	\$ 22,507	\$ 1,059,144	\$ 139,160

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 7—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.	\$ 463,000	\$ 231,000
 \$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>215,569</u>	<u>24,309</u>
Total Bonds Payable	\$ <u>678,569</u>	\$ <u>255,309</u>
Notes Payable:		
\$966,480 General Obligation Note payable dated November 30, 2023. Interest payments semi-annually at 6.33%, maturing November 30, 2028.	\$ 868,922	\$ 173,344
 \$460,998 note payable dated January 25, 2021 for the purchase of a vacuum truck, payable annually with principal and interest due each August with a final payment due August 2025 bearing interest at 2.96%	<u>190,222</u>	<u>93,725</u>
Total Notes Payable	\$ <u>1,059,144</u>	\$ <u>267,069</u>
Other liabilities		
Compensated Absences (Note 9)	\$ <u>32,397</u>	\$ <u>5,159</u>
Net OPEB liabilities (Note 11)	\$ <u>31,539</u>	\$ <u>-</u>
Total business-type obligations	\$ <u><u>1,801,649</u></u>	\$ <u><u>527,537</u></u>

NOTE 8—COMPENSATED ABSENCES:Annual Leave Accrual

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 9—COMPENSATED ABSENCES:

Annual Leave Accrual: (Continued)

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

Sick Leave

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

At June 30, 2024, accumulated vacation and sick leave for the governmental activities amounted to \$189,602 of which \$33,455 is short-term.

At June 30, 2024, accumulated vacation and sick leave for the business-type activities amounted to \$32,397 of which \$5,159 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.

NOTE 10—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2022 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	20
Non-vested inactive members	24
Inactive members active elsewhere in VRS	41
Total inactive members	85
Active members	65
Total covered employees	179

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, 2024 was 8.83% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$304,259 and \$284,481 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability (Asset)

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Town’s net pension asset was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023.

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, 2022, 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, 2023.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

Mortality rates:

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

Mortality rates: (Continued)

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 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	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2022	\$ 13,109,509	\$ 14,591,708	\$ (1,482,199)
Changes for the year:			
Service cost	\$ 458,636	\$ -	\$ 458,636
Interest	901,979	-	901,979
Differences between expected and actual experience	(81,499)	-	(81,499)
Contributions - employer	-	284,481	(284,481)
Contributions - employee	-	164,998	(164,998)
Net investment income	-	953,042	(953,042)
Benefit payments, including refunds	(410,994)	(410,994)	-
Administrative expenses	-	(9,242)	9,242
Other changes	-	385	(385)
Net changes	\$ 868,122	\$ 982,670	\$ (114,548)
Balances at June 30, 2023	\$ 13,977,631	\$ 15,574,378	\$ (1,596,747)

Sensitivity of the Net Pension Liability (Asset) 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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town Net Pension Liability (Asset)	\$ 499,576	\$ (1,596,747)	\$ (3,306,137)

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (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, 2024, the Town recognized pension expense of (\$59,200). At June 30, 2024, 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	\$ -	\$ 383,152
Change in assumptions	72,224	-
Net difference between projected and actual earnings on pension plan investments	-	206,926
Employer contributions subsequent to the measurement date	304,259	-
Total	\$ 376,483	\$ 590,078

\$304,259 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2025. 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
2025	\$ (390,756)
2026	(341,306)
2027	207,630
2028	6,578
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-annual-report.pdf> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS:

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (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, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the Town were \$20,621 and \$19,098 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the financial statements.

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, 2024, the Town reported a liability of \$180,017 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 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, 2022 and rolled forward to the measurement date of June 30, 2023. 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, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion for the Town was .01501% as compared to .01520% at June 30, 2022.

For the year ended June 30, 2024, the Town recognized GLI OPEB expense of \$8,020. 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, 2024 (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, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,979	\$ 5,464
Net difference between projected and actual earnings on GLI OPEB program investments	-	7,234
Change in assumptions	3,848	12,472
Changes in proportionate share	2,928	8,639
Employer contributions subsequent to the measurement date	20,621	-
Total	<u>\$ 45,376</u>	<u>\$ 33,809</u>

\$20,621 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Amount
2025	\$ (1,567)
2026	(8,717)
2027	1,059
2028	(1,189)
2029	1,360
Thereafter	-

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022 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, 2023. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,907,052
Plan Fiduciary Net Position		2,707,739
GLI Net OPEB Liability (Asset)	\$	1,199,313
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		69.30%

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, 2024 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Long-term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.20%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, 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 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 266,841	\$ 180,017	\$ 109,819

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Line of Duty Act (LODA) Program:

Plan Description

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

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

Eligible Employees

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Benefit Amounts

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

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

Contributions

The contribution requirements for the LODA are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2024 was \$830 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$14,940 and \$12,955 for the years ended June 30, 2024 and June 30, 2023 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, 2024, the Town reported a liability of \$391,358 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2023 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2023, the entity's proportion was .09760% as compared to .09970% at June 30, 2021.

For the year ended June 30, 2024, the entity recognized LODA OPEB expense of \$46,700. 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, 2024 (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, 2024, 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	\$ 20,876	\$ 73,692
Net difference between projected and actual earnings on LODA OPEB plan investments	-	1,145
Change in assumptions	86,925	80,700
Change in proportionate share	40,037	55,296
Employer contributions subsequent to the measurement date	<u>14,940</u>	<u>-</u>
Total	<u>\$ 162,778</u>	<u>\$ 210,833</u>

\$14,940 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

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

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023. 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.

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return.

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

- Pre-Retirement:
 - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement:
 - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement:
 - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement Scale:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

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

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

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.86% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments’ 6.75% assumption. Instead, the assumed annual rate of return of 3.86% 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 Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2023.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.86%. 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, 2023, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 3.86%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 2.86% or one percentage point higher 4.86% than the current rate:

	Discount Rate		
	1% Decrease (2.69%)	Current (3.69%)	1% Increase (4.69%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 438,805	\$ 391,358	\$ 351,218

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

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

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 331,885	\$ 391,358	\$ 465,054

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate OPEB Information

	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:				
GLI Plan	\$ 45,376	\$ 33,809	\$ 180,017	\$ 8,020
LODA Program	162,778	210,833	391,358	46,700
Totals	<u>\$ 208,154</u>	<u>\$ 244,642</u>	<u>\$ 571,375</u>	<u>\$ 54,720</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 12—CONTINGENT LIABILITIES:

Federal assisted grant programs:

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

General Obligation Bonds:

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

NOTE 13—LEGAL DEBT MARGIN:

The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation of real estate on the amount of general obligation borrowings that may be issued by the Town. At June 30, 2024, the Town's aggregate general obligation indebtedness was \$156,510,429 less than the Commonwealth of Virginia's limit. Reference Table 10 in the Other Statistical Information.

NOTE 14—RISK MANAGEMENT:

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2024 (Continued)

NOTE 15—LEASES RECEIVABLE:

The Town leases various property including recreational facilities. The Town recognized lease revenue and interest revenue in the amounts of \$45,767 and \$10,695, respectively under these lease agreements.

A description of the lease arrangements is as follows:

<u>Lease Description</u>	<u>End Date</u>	<u>Discount Rate</u>	<u>Leases Receivable June 30, 2024</u>	<u>Deferred Inflows of Resources June 30, 2024</u>
Lease of Sports Complex	1/31/1933	2.07%	\$ 282,040	\$ 275,335
Lease of Windsor Castle Park	1/31/1933	2.07%	212,162	206,259
			<u>\$ 494,202</u>	<u>\$ 481,594</u>

NOTE 16—UPCOMING PRONOUNCEMENTS:

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

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

Required Supplementary Information

Note to Required Supplementary Information:

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

General Fund

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

For the Year Ended June 30, 2024

	General Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 3,478,580	\$ 3,478,580	\$ 4,776,511	\$ 1,297,931
Other local taxes	4,635,893	4,635,893	4,743,918	108,025
Permits, privilege fees, and regulatory licenses	314,060	314,060	512,339	198,279
Fines and forfeitures	47,000	47,000	37,572	(9,428)
Revenue from the use of money and property	388,575	388,575	816,414	427,839
Miscellaneous	170,600	170,600	318,380	147,780
Intergovernmental:				
Commonwealth	618,654	618,654	800,554	181,900
Federal	429,344	1,287,463	1,601,996	314,533
Total revenues	\$ 10,082,706	\$ 10,940,825	\$ 13,607,684	\$ 2,666,859
EXPENDITURES				
Current:				
General government administration	\$ 1,611,705	\$ 1,702,315	\$ 1,713,502	\$ (11,187)
Public safety	3,615,708	3,615,708	3,421,407	194,301
Public works	1,356,464	1,393,638	929,667	463,971
Parks, recreation, and cultural	1,538,458	1,550,458	1,526,647	23,811
Community development	813,350	813,350	1,704,120	(890,770)
Capital projects	615,000	1,474,371	1,047,618	426,753
Debt service:				
Principal retirement	497,283	497,283	434,880	62,403
Interest and other fiscal charges	68,702	68,702	50,709	17,993
Total expenditures	\$ 10,116,670	\$ 11,115,825	\$ 10,828,550	\$ 287,275
Excess (deficiency) of revenues over (under) expenditures	\$ (33,964)	\$ (175,000)	\$ 2,779,134	\$ 2,954,134
OTHER FINANCING SOURCES (USES)				
Issuance of leases	\$ 175,000	\$ 175,000	\$ 166,224	\$ (8,776)
Total other financing sources (uses)	\$ 175,000	\$ 175,000	\$ 166,224	\$ (8,776)
Net change in fund balances	\$ 141,036	\$ -	\$ 2,945,358	\$ 2,945,358
Fund balances - beginning	(141,036)	-	12,683,183	12,683,183
Fund balances - ending	\$ -	\$ -	\$ 15,628,541	\$ 15,628,541

Highway Maintenance Fund

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

For the Year Ended June 30, 2024

	Highway Maintenance Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 250	\$ 250	\$ 132	\$ (118)
Intergovernmental:				
Commonwealth	1,513,850	1,513,850	1,666,229	152,379
Federal	-	733,725	-	(733,725)
Total revenues	\$ 1,514,100	\$ 2,247,825	\$ 1,666,361	\$ (581,464)
EXPENDITURES				
Current:				
Public works	\$ 1,514,100	\$ 2,247,825	\$ 1,539,343	\$ 708,482
Total expenditures	\$ 1,514,100	\$ 2,247,825	\$ 1,539,343	\$ 708,482
Net change in fund balances	\$ -	\$ -	\$ 127,018	\$ 127,018
Fund balances - beginning	-	-	263,082	263,082
Fund balances - ending	\$ -	\$ -	\$ 390,100	\$ 390,100

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Pension Plan

For the Measurement Dates of June 30, 2014 through June 30, 2023

	2023	2022	2021	2020	2019
Total pension liability					
Service cost	\$ 458,636	\$ 406,094	\$ 407,164	\$ 409,222	\$ 341,033
Interest	901,979	884,036	789,433	692,656	634,287
Changes of benefit terms	-	-	157,949	-	-
Differences between expected and actual experience	(81,499)	(682,398)	(522,938)	755,685	272,262
Changes of assumptions	-	-	553,724	-	343,613
Benefit payments	(410,994)	(377,914)	(401,879)	(445,782)	(335,956)
Net change in total pension liability	\$ 868,122	\$ 229,818	\$ 983,453	\$ 1,411,781	\$ 1,255,239
Total pension liability - beginning	13,109,509	12,879,691	11,896,238	10,484,457	9,229,218
Total pension liability - ending (a)	<u>\$ 13,977,631</u>	<u>\$ 13,109,509</u>	<u>\$ 12,879,691</u>	<u>\$ 11,896,238</u>	<u>\$ 10,484,457</u>
Plan fiduciary net position					
Contributions - employer	\$ 284,481	\$ 292,302	\$ 284,911	\$ 149,680	\$ 148,084
Contributions - employee	164,998	198,618	153,761	225,095	158,765
Net investment income	953,042	(22,321)	3,128,848	213,124	708,065
Benefit payments	(410,994)	(377,914)	(401,879)	(445,782)	(335,956)
Administrator charges	(9,242)	(8,893)	(7,534)	(7,189)	(6,847)
Other	385	343	298	(256)	(448)
Net change in plan fiduciary net position	\$ 982,670	\$ 82,135	\$ 3,158,405	\$ 134,672	\$ 671,663
Plan fiduciary net position - beginning	14,591,708	14,509,573	11,351,168	11,216,496	10,544,833
Plan fiduciary net position - ending (b)	<u>\$ 15,574,378</u>	<u>\$ 14,591,708</u>	<u>\$ 14,509,573</u>	<u>\$ 11,351,168</u>	<u>\$ 11,216,496</u>
Town's net pension (asset) liability - ending (a) - (b)	\$ (1,596,747)	\$ (1,482,199)	\$ (1,629,882)	\$ 545,070	\$ (732,039)
Plan fiduciary net position as a percentage of the total pension liability	111.42%	111.31%	112.65%	95.42%	106.98%
Covered payroll	\$ 3,483,476	\$ 3,300,848	\$ 3,228,790	\$ 3,248,871	\$ 3,112,992
Town's net pension (asset) liability as a percentage of covered payroll	-45.84%	-44.90%	-50.48%	16.78%	-23.52%

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2023

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

Schedule of Employer Contributions

Pension Plan

For the Years Ended June 30, 2015 through June 30, 2024

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)
2024	\$ 304,259	\$ 304,259	\$ -	\$ 3,752,445	8.11%
2023	284,481	284,481	-	3,483,476	8.17%
2022	292,302	292,302	-	3,300,848	8.86%
2021	263,602	263,602	-	3,228,790	8.16%
2020	144,134	144,134	-	3,248,871	4.44%
2019	148,085	148,085	-	3,112,992	4.76%
2018	152,960	152,960	-	2,848,327	5.37%
2017	156,370	156,370	-	2,850,144	5.49%
2016	175,434	175,434	-	2,636,184	6.65%
2015	170,809	170,809	-	2,541,822	6.72%

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

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2024

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

Schedule of Town's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2023

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)
2023	0.01501%	\$ 180,017	\$ 3,536,670	5.09%	69.30%
2022	0.01520%	183,143	3,309,057	5.53%	67.21%
2021	0.01570%	182,790	3,241,018	5.64%	67.45%
2020	0.01585%	264,510	3,261,610	8.11%	52.64%
2019	0.01589%	258,573	3,112,992	8.31%	52.00%
2018	0.01501%	228,000	2,848,327	8.00%	51.22%
2017	0.01547%	233,000	2,850,144	8.18%	48.86%

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

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2017 through June 30, 2024

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2024	\$ 20,621	\$ 20,621	\$ -	\$ 3,752,445		0.55%
2023	19,098	19,098	-	3,536,670		0.54%
2022	17,869	17,869	-	3,309,057		0.54%
2021	17,501	17,501	-	3,241,018		0.51%
2020	16,960	16,960	-	3,261,610		0.51%
2019	15,353	15,353	-	3,112,992		0.51%
2018	15,029	15,029	-	2,848,327		0.53%
2017	14,833	14,833	-	2,850,144		0.52%

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

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2024

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Employer's Share of Net OPEB Liability

Line of Duty Act (LODA) Program

For the Measurement Dates of June 30, 2017 through June 30, 2023

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)
2023	0.09760%	\$ 391,358	N/A	N/A	1.31%
2022	0.09970%	377,244	N/A	N/A	1.87%
2021	0.10940%	482,489	N/A	N/A	1.68%
2020	0.09348%	391,508	N/A	N/A	1.02%
2019	0.09466%	339,627	N/A	N/A	0.79%
2018	0.10121%	317,000	N/A	N/A	0.60%
2017	0.10521%	276,000	N/A	N/A	1.30%

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

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

Schedule of Employer Contributions

Line of Duty Act (LODA) Program

For the Years Ended June 30, 2017 through June 30, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2024	\$ 14,940	\$ 14,940	\$ -	\$ N/A	N/A
2023	12,955	12,955	-	N/A	N/A
2022	13,728	13,728	-	N/A	N/A
2021	15,064	15,064	-	N/A	N/A
2020	12,704	12,704	-	N/A	N/A
2019	12,704	12,704	-	N/A	N/A
2018	10,780	10,780	-	N/A	N/A
2017	11,347	11,347	-	N/A	N/A

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

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

Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2024

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, 2022 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Other Supplementary Information

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024

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	\$ 2,255,980	\$ 2,255,980	\$ 3,594,065	\$ 1,338,085
Real and personal public service corporation taxes	33,100	33,100	36,861	3,761
Personal property and machinery & tools taxes	1,139,500	1,139,500	1,085,235	(54,265)
Penalties	38,000	38,000	43,125	5,125
Interest	12,000	12,000	17,225	5,225
Total general property taxes	\$ 3,478,580	\$ 3,478,580	\$ 4,776,511	\$ 1,297,931
Other local taxes:				
Local sales and use taxes	\$ 701,169	\$ 701,169	\$ 584,070	\$ (117,099)
Cigarette taxes	211,000	211,000	176,197	(34,803)
Bank stock taxes	153,000	153,000	156,154	3,154
Business license tax	454,200	454,200	525,025	70,825
Utility license taxes	197,000	197,000	215,934	18,934
Transient taxes	260,859	260,859	319,334	58,475
Meals tax	2,370,965	2,370,965	2,483,228	112,263
Vehicle licenses	235,000	235,000	238,546	3,546
Peg Channel capital fee	1,700	1,700	1,423	(277)
Consumption tax	51,000	51,000	44,007	(6,993)
Total other local taxes	\$ 4,635,893	\$ 4,635,893	\$ 4,743,918	\$ 108,025
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 95,100	\$ 95,100	\$ 202,908	\$ 107,808
Refuse collection fee	218,960	218,960	309,431	90,471
Total permits, privilege fees, and regulatory licenses	\$ 314,060	\$ 314,060	\$ 512,339	\$ 198,279
Fines and forfeitures:				
Police fines	\$ 47,000	\$ 47,000	\$ 37,572	\$ (9,428)
Total fines and forfeitures	\$ 47,000	\$ 47,000	\$ 37,572	\$ (9,428)
Revenue from use of money and property:				
Revenue from use of money	\$ 25,000	\$ 25,000	\$ 413,416	\$ 388,416
Revenue from use of property	363,575	363,575	402,998	39,423
Total revenue from use of money and property	\$ 388,575	\$ 388,575	\$ 816,414	\$ 427,839
Miscellaneous:				
Miscellaneous	\$ 44,600	\$ 44,600	\$ 56,301	\$ 11,701
VML insurance safety grant	4,000	4,000	5,214	1,214
Donations	122,000	122,000	206,089	84,089
Insurance recoveries	-	-	50,776	50,776
Total miscellaneous	\$ 170,600	\$ 170,600	\$ 318,380	\$ 147,780
Total revenue from local sources	\$ 9,034,708	\$ 9,034,708	\$ 11,205,134	\$ 2,170,426
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 150,000	\$ 150,000	\$ 154,349	\$ 4,349
PPTRA	240,795	240,795	240,795	-
Auto rental tax	6,300	6,300	5,326	(974)
Rolling stock tax	45	45	19	(26)
Total noncategorical aid	\$ 397,140	\$ 397,140	\$ 400,489	\$ 3,349

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 179,664	\$ 179,664	\$ 207,743	\$ 28,079
Total shared expenses	\$ 179,664	\$ 179,664	\$ 207,743	\$ 28,079
Other categorical aid:				
Fire programs fund	\$ 4,500	\$ 4,500	\$ 38,419	\$ 33,919
TRIAD	34,050	34,050	-	(34,050)
Virginia Commission of Arts Grant	-	-	4,500	4,500
VTC Grant	-	-	5,000	5,000
DMV animal friendly PLT	-	-	130	130
FEMA - state portion	-	-	92,024	92,024
VDOT - Urban Funds	-	-	6,422	6,422
Litter control grant	3,300	3,300	6,989	3,689
Other categorical aid	-	-	38,838	38,838
Total other categorical aid	\$ 41,850	\$ 41,850	\$ 192,322	\$ 150,472
Total categorical aid	\$ 221,514	\$ 221,514	\$ 400,065	\$ 178,551
Total revenue from the Commonwealth	\$ 618,654	\$ 618,654	\$ 800,554	\$ 181,900
Revenue from the federal government:				
Categorical aid:				
Coronavirus State and Local Recovery Funds	\$ 413,344	\$ 1,271,463	\$ 726,103	\$ (545,360)
FEMA - federal portion	-	-	874,228	874,228
Law Enforcement	16,000	16,000	-	(16,000)
Alcohol Open Container Requirements	-	-	1,665	1,665
Total categorical aid	\$ 429,344	\$ 1,287,463	\$ 1,601,996	\$ 314,533
Total revenue from the federal government	\$ 429,344	\$ 1,287,463	\$ 1,601,996	\$ 314,533
Total General Fund	\$ 10,082,706	\$ 10,940,825	\$ 13,607,684	\$ 2,666,859
Highway Maintenance Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest	\$ 250	\$ 250	\$ 132	\$ (118)
Total revenue from local sources	\$ 250	\$ 250	\$ 132	\$ (118)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Street and highway maintenance	\$ 1,513,850	\$ 1,513,850	\$ 1,666,229	\$ 152,379
Total revenue from the Commonwealth	\$ 1,513,850	\$ 1,513,850	\$ 1,666,229	\$ 152,379
Revenue from the federal government:				
Categorical aid:				
Coronavirus State and Local Recovery Funds	\$ -	\$ 733,725	\$ -	\$ (733,725)
Total revenue from the federal government	\$ -	\$ 733,725	\$ -	\$ (733,725)
Total Highway Maintenance Fund	\$ 1,514,100	\$ 2,247,825	\$ 1,666,361	\$ (581,464)
Total Primary Government	\$ 11,596,806	\$ 13,188,650	\$ 15,274,045	\$ 2,085,395

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 194,623	\$ 194,623	\$ 180,287	\$ 14,336
Town Manager	596,144	680,570	677,171	3,399
Treasurer	820,938	827,122	856,044	(28,922)
Total general government administration	\$ 1,611,705	\$ 1,702,315	\$ 1,713,502	\$ (11,187)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,197,658	\$ 3,197,658	\$ 2,925,176	\$ 272,482
Fire and rescue services:				
Fire department	\$ 49,050	\$ 49,050	\$ 57,419	\$ (8,369)
E-911 dispatch	369,000	369,000	438,812	(69,812)
Total fire and rescue services	\$ 418,050	\$ 418,050	\$ 496,231	\$ (78,181)
Total public safety	\$ 3,615,708	\$ 3,615,708	\$ 3,421,407	\$ 194,301
Public works:				
Public works engineering, trash removal:				
Engineering, trash removal, maintenance	\$ 641,960	\$ 641,960	\$ 581,405	\$ 60,555
Maintenance of general buildings and grounds:				
Public buildings	\$ 714,504	\$ 751,678	\$ 348,262	\$ 403,416
Total public works	\$ 1,356,464	\$ 1,393,638	\$ 929,667	\$ 463,971
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 758,051	\$ 768,051	\$ 744,488	\$ 23,563
Clontz Park	3,500	3,500	2,255	1,245
Cypress Creek No Wake Zone	1,000	1,000	-	1,000
Farmers Market	3,000	3,000	3,000	-
Fireworks	17,500	17,500	8,750	8,750
Haydens Lane Maintenance	1,000	1,000	-	1,000
Veterans War Memorial	3,000	3,000	422	2,578
Isle of Wight Arts League	9,000	9,000	9,000	-
Jersey Park Playground	2,000	2,000	1,614	386
Museum	222,980	291,802	272,300	19,502
Regional Library	2,965	2,965	2,965	-
Smithfield Center	236,154	190,154	197,850	(7,696)
Luter Sports Complex	118,700	118,700	140,771	(22,071)
Windsor Castle Manor House	72,520	57,698	57,693	5
Windsor Castle Park	87,088	81,088	85,539	(4,451)
Total parks, recreation, and cultural	\$ 1,538,458	\$ 1,550,458	\$ 1,526,647	\$ 23,811

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2024 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning and Community Development Administration	\$ 337,289	\$ 337,289	\$ 305,087	\$ 32,202
Old courthouse contribution	5,000	5,000	10,000	(5,000)
Chamber of Commerce	6,000	6,000	-	6,000
Christian Outreach	12,650	12,650	25,300	(12,650)
Genieve Shelter	9,000	9,000	9,000	-
Hampton Roads Planning District	20,016	20,016	12,675	7,341
TRIAD	1,650	1,650	-	1,650
Tourism Bureau	317,255	317,255	308,306	8,949
Tax Relief for Elderly & Veterans	80,000	80,000	-	80,000
FEMA - Great Springs Road	-	-	1,009,262	(1,009,262)
Western Tidewater Free Clinic	24,490	24,490	24,490	-
Total community development	<u>\$ 813,350</u>	<u>\$ 813,350</u>	<u>\$ 1,704,120</u>	<u>\$ (890,770)</u>
Capital projects:				
Function:				
General Government - Town Manager	\$ 30,000	\$ 30,000	\$ -	\$ 30,000
General Government - Treasurer	50,000	50,000	59,809	(9,809)
Vehicle leases	-	-	166,224	(166,224)
Public Safety - Police	175,000	175,000	58,381	116,619
Public Works - other	195,000	195,000	104,970	90,030
Public Works - public buildings	-	-	103,600	(103,600)
Parks, Recreation and Cultural - Waterworks Park & Dam	125,000	125,000	-	125,000
Parks, Recreation and Cultural - Luter Sports Complex	-	446,275	54,872	391,403
Parks, Recreation and Cultural - Windsor Castle Park	-	367,096	499,762	(132,666)
Parks, Recreation and Cultural - Smithfield Center	-	46,000	-	46,000
Parks, Recreation and Cultural - Other	40,000	40,000	-	40,000
Total capital projects	<u>\$ 615,000</u>	<u>\$ 1,474,371</u>	<u>\$ 1,047,618</u>	<u>\$ 426,753</u>
Debt service:				
Principal retirement and interest	\$ 497,283	\$ 497,283	\$ 434,880	\$ 62,403
Interest and other fiscal charges	68,702	68,702	50,709	17,993
Total debt service	<u>\$ 565,985</u>	<u>\$ 565,985</u>	<u>\$ 485,589</u>	<u>\$ 80,396</u>
Total General Fund	<u>\$ 10,116,670</u>	<u>\$ 11,115,825</u>	<u>\$ 10,828,550</u>	<u>\$ 287,275</u>
Highway Maintenance Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highway maintenance	\$ 1,514,100	\$ 1,514,100	\$ 1,493,246	\$ 20,854
Highway capital outlay	-	733,725	46,097	687,628
Total Highway Maintenance Fund	<u>\$ 1,514,100</u>	<u>\$ 2,247,825</u>	<u>\$ 1,539,343</u>	<u>\$ 708,482</u>
Total Primary Government	<u>\$ 11,630,770</u>	<u>\$ 13,363,650</u>	<u>\$ 12,367,893</u>	<u>\$ 995,757</u>

Other Statistical Information

Net Position by Component
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Governmental activities					
Net investment in capital assets	\$ 27,401,442	\$ 26,485,794	\$ 25,560,902	\$ 25,686,339	\$ 25,813,746
Restricted	1,757,531	1,538,803	1,696,078	310,838	372,195
Unrestricted	14,821,747	11,703,944	9,762,353	9,018,478	8,433,786
Total governmental activities net position	<u>\$ 43,980,720</u>	<u>\$ 39,728,541</u>	<u>\$ 37,019,333</u>	<u>\$ 35,015,655</u>	<u>\$ 34,619,727</u>
Business-type activities					
Net investment in capital assets	\$ 15,280,255	\$ 15,049,484	\$ 13,550,028	\$ 12,817,441	\$ 12,259,196
Restricted	2,010,519	4,277,288	4,028,269	3,424,674	3,200,895
Unrestricted	6,511,959	3,312,525	3,420,216	3,601,950	4,421,817
Total business-type activities net position	<u>\$ 23,802,733</u>	<u>\$ 22,639,297</u>	<u>\$ 20,998,513</u>	<u>\$ 19,844,065</u>	<u>\$ 19,881,908</u>
Primary government					
Net investment in capital assets	\$ 42,681,697	\$ 41,535,278	\$ 39,110,930	\$ 38,503,780	\$ 38,072,942
Restricted	3,768,050	5,816,091	5,724,347	3,735,512	3,573,090
Unrestricted	21,333,706	15,016,469	13,182,569	12,620,428	12,855,603
Total primary government net position	<u>\$ 67,783,453</u>	<u>\$ 62,367,838</u>	<u>\$ 58,017,846</u>	<u>\$ 54,859,720</u>	<u>\$ 54,501,635</u>

Net Position by Component
Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Governmental activities					
Net investment in capital assets	\$ 22,192,996	\$ 20,147,780	\$ 21,015,145	\$ 21,084,936	\$ 19,325,305
Restricted	107,635	423,552	1,258,418	1,896,404	130,778
Unrestricted	8,453,823	8,680,771	7,236,182	6,507,589	6,366,159
Total governmental activities net position	<u>\$ 30,754,454</u>	<u>\$ 29,252,103</u>	<u>\$ 29,509,745</u>	<u>\$ 29,488,929</u>	<u>\$ 25,822,242</u>
Business-type activities					
Net investment in capital assets	\$ 12,356,908	\$ 12,182,289	\$ 12,145,829	\$ 12,022,648	\$ 12,041,397
Restricted	3,125,014	3,033,839	2,764,024	2,261,716	2,118,384
Unrestricted	4,219,295	3,521,849	3,181,201	3,268,468	2,914,632
Total business-type activities net position	<u>\$ 19,701,217</u>	<u>\$ 18,737,977</u>	<u>\$ 18,091,054</u>	<u>\$ 17,552,832</u>	<u>\$ 17,074,413</u>
Primary government					
Net investment in capital assets	\$ 34,549,904	\$ 32,330,069	\$ 33,160,974	\$ 33,107,584	\$ 31,366,702
Restricted	3,232,649	3,457,391	4,022,442	4,158,120	2,249,162
Unrestricted	12,673,118	12,202,620	10,417,383	9,776,057	9,280,791
Total primary government net position	<u>\$ 50,455,671</u>	<u>\$ 47,990,080</u>	<u>\$ 47,600,799</u>	<u>\$ 47,041,761</u>	<u>\$ 42,896,655</u>

Change in Net Position
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Expenses					
Governmental activities:					
General government administration	\$ 1,677,800	\$ 1,384,585	\$ 1,334,877	\$ 1,807,433	\$ 1,324,043
Public safety	3,518,314	3,111,588	2,941,256	2,840,138	2,687,945
Public works	2,113,159	3,510,433	2,528,576	2,846,710	2,648,183
Parks, recreation, and cultural	1,956,875	1,977,092	1,910,009	1,830,395	1,931,278
Community development	1,684,451	751,809	1,176,068	1,401,742	1,458,373
Interest on long-term debt	66,768	63,975	65,703	100,526	86,375
Total governmental activities expenses	\$ 11,017,367	\$ 10,799,482	\$ 9,956,489	\$ 10,826,944	\$ 10,136,197
Business-type activities:					
Water	\$ 2,260,633	\$ 2,082,075	\$ 2,064,578	\$ 2,513,706	\$ 1,878,610
Sewer	1,305,882	1,314,647	1,243,710	1,099,535	1,064,151
Total business-type activities expenses	\$ 3,566,515	\$ 3,396,722	\$ 3,308,288	\$ 3,613,241	\$ 2,942,761
Total primary government expenses	\$ 14,583,882	\$ 14,196,204	\$ 13,264,777	\$ 14,440,185	\$ 13,078,958
Program Revenue					
Governmental activities:					
Charges for services:	\$ 953,041	\$ 359,888	\$ 383,149	\$ 315,778	\$ 148,673
Operating grants and contributions	3,661,868	3,434,071	2,381,379	2,766,708	2,495,025
Capital grants and contributions	6,422	304,250	465,582	230,837	3,702,277
Total governmental activities program revenues	\$ 4,621,331	\$ 4,098,209	\$ 3,230,110	\$ 3,313,323	\$ 6,345,975
Business-type activities:					
Charges for services:					
Water	\$ 1,997,134	\$ 1,970,461	\$ 1,852,180	\$ 1,813,365	\$ 1,722,097
Sewer	1,346,321	1,285,427	1,260,804	1,224,897	1,125,190
Operating grants and contributions	483,298	1,178,996	691,964	6,523	-
Capital grants and contributions	799,700	548,160	563,400	417,280	194,180
Total business-type activities program revenues	\$ 4,626,453	\$ 4,983,044	\$ 4,368,348	\$ 3,462,065	\$ 3,041,467
Total primary government program revenues	\$ 9,247,784	\$ 9,081,253	\$ 7,598,458	\$ 6,775,388	\$ 9,387,442
Governmental activities	\$ (6,396,036)	\$ (6,701,273)	\$ (6,726,379)	\$ (7,513,621)	\$ (3,790,222)
Business-type activities	1,059,938	1,586,322	1,060,060	(151,176)	98,706
Total primary government net expense	\$ (5,336,098)	\$ (5,114,951)	\$ (5,666,319)	\$ (7,664,797)	\$ (3,691,516)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 4,772,012	\$ 3,503,775	\$ 3,353,768	\$ 3,031,225	\$ 3,129,739
Utility license taxes	215,934	188,550	195,542	190,767	201,256
Sales taxes	584,070	527,949	540,311	491,199	414,610
Other taxes	3,943,914	3,939,375	3,695,891	3,302,947	2,960,400
Grants and contributions not restricted to specific programs	400,489	412,448	417,466	278,743	445,037
Gain (Loss) on disposition of capital assets	-	171,200	-	-	-
Revenues from use of money and property	413,416	463,176	432,942	441,608	404,317
Miscellaneous	318,380	204,008	141,239	173,060	100,136
Total governmental activities	\$ 10,648,215	\$ 9,410,481	\$ 8,777,159	\$ 7,909,549	\$ 7,655,495
Business-type activities:					
Miscellaneous	\$ 48,906	\$ 37,649	\$ 67,561	\$ 100,683	\$ 40,740
Gain (Loss) on disposition of capital assets	-	-	12,870	-	-
Revenues from use of property and money	54,592	16,813	13,957	12,650	41,245
Total business-type activities	\$ 103,498	\$ 54,462	\$ 94,388	\$ 113,333	\$ 81,985
Total primary government	\$ 10,751,713	\$ 9,464,943	\$ 8,871,547	\$ 8,022,882	\$ 7,737,480
Change in Net Position					
Governmental activities	\$ 4,252,179	\$ 2,709,208	\$ 2,050,780	\$ 395,928	\$ 3,865,273
Business-type activities	1,163,436	1,640,784	1,154,448	(37,843)	180,691
Total primary government	\$ 5,415,615	\$ 4,349,992	\$ 3,205,228	\$ 358,085	\$ 4,045,964

Change in Net Position
Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Expenses					
Governmental activities:					
General government administration	\$ 1,218,767	\$ 1,193,699	\$ 1,172,634	\$ 1,053,933	\$ 1,003,355
Public safety	2,335,986	2,412,254	2,501,166	2,395,527	2,364,059
Public works	2,531,611	2,303,138	2,460,615	2,462,073	2,287,246
Parks, recreation, and cultural	1,724,153	1,892,333	1,468,199	945,848	916,654
Community development	676,948	742,362	1,903,649	1,144,472	1,039,243
Interest on long-term debt	107,901	127,571	50,342	44,266	41,771
Total governmental activities expenses	\$ 8,595,366	\$ 8,671,357	\$ 9,556,605	\$ 8,046,119	\$ 7,652,328
Business-type activities:					
Water	\$ 1,593,655	\$ 1,548,749	\$ 1,623,458	\$ 1,535,791	\$ 1,751,634
Sewer	903,326	838,798	930,017	972,556	1,011,978
Total business-type activities expenses	\$ 2,496,981	\$ 2,387,547	\$ 2,553,475	\$ 2,508,347	\$ 2,763,612
Total primary government expenses	\$ 11,092,347	\$ 11,058,904	\$ 12,110,080	\$ 10,554,466	\$ 10,415,940
Program Revenue					
Governmental activities:					
Charges for services:	\$ 87,206	\$ 91,082	\$ 97,832	\$ 91,602	\$ 105,848
Operating grants and contributions	1,557,719	1,743,669	1,862,264	1,305,965	1,263,354
Capital grants and contributions	1,303,665	132,597	957,221	3,555,770	150,800
Total governmental activities program revenues	\$ 2,948,590	\$ 1,967,348	\$ 2,917,317	\$ 4,953,337	\$ 1,520,002
Business-type activities:					
Charges for services:					
Water	\$ 1,692,607	\$ 1,591,685	\$ 1,598,568	\$ 1,590,719	\$ 1,624,519
Sewer	1,158,739	1,236,027	1,241,163	1,201,638	1,214,154
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	522,900	182,580	217,840	150,444	211,594
Total business-type activities program revenues	\$ 3,374,246	\$ 3,010,292	\$ 3,057,571	\$ 2,942,801	\$ 3,050,267
Total primary government program revenues	\$ 6,322,836	\$ 4,977,640	\$ 5,974,888	\$ 7,896,138	\$ 4,570,269
Governmental activities	\$ (5,646,776)	\$ (6,704,009)	\$ (6,639,288)	\$ (3,092,782)	\$ (6,132,326)
Business-type activities	877,265	622,745	504,096	434,454	286,655
Total primary government net expense	\$ (4,769,511)	\$ (6,081,264)	\$ (6,135,192)	\$ (2,658,328)	\$ (5,845,671)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 2,519,668	\$ 2,495,373	\$ 2,244,184	\$ 2,432,132	\$ 2,304,590
Franchise taxes	192,386	197,901	190,102	137,832	130,227
Sales taxes	357,250	357,917	367,527	330,898	313,161
Other taxes	3,058,161	2,898,901	2,817,556	2,712,974	2,585,464
Grants and contributions not restricted to specific programs	448,490	460,881	682,356	473,672	480,541
Gain (Loss) on disposition of capital assets	-	-	6,268	289,162	17,028
Revenues from use of property and money	460,292	334,010	234,640	271,179	239,991
Miscellaneous	112,880	208,605	117,471	111,620	178,676
Total governmental activities	\$ 7,149,127	\$ 6,953,588	\$ 6,660,104	\$ 6,759,469	\$ 6,249,678
Business-type activities:					
Miscellaneous	\$ 26,967	\$ 17,445	\$ 11,539	\$ 26,793	\$ 15,663
Gain (Loss) on disposition of capital assets	-	-	-	-	-
Revenues from use of property and money	59,008	40,513	22,587	17,172	13,117
Total business-type activities	\$ 85,975	\$ 57,958	\$ 34,126	\$ 43,965	\$ 28,780
Total primary government	\$ 7,235,102	\$ 7,011,546	\$ 6,694,230	\$ 6,803,434	\$ 6,278,458
Change in Net Position					
Governmental activities	\$ 1,502,351	\$ 249,579	\$ 20,816	\$ 3,666,687	\$ 117,352
Business-type activities	963,240	680,703	538,222	478,419	315,435
Total primary government	\$ 2,465,591	\$ 930,282	\$ 559,038	\$ 4,145,106	\$ 432,787

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Fund					
Nonspendable	\$ 133,219	\$ 73,683	\$ 62,091	\$ 89,150	\$ 48,769
Restricted	52,882	53,220	80,011	105,914	95,549
Committed	-	588,686	587,751	803,464	1,187,710
Unassigned	15,442,440	11,967,594	9,911,224	8,120,737	6,826,657
Total general fund	<u>\$ 15,628,541</u>	<u>\$ 12,683,183</u>	<u>\$ 10,641,077</u>	<u>\$ 9,119,265</u>	<u>\$ 8,158,685</u>
All Other Governmental Funds					
Nonspendable, reported in:					
Special revenue funds	\$ 2,431	\$ -	\$ -	\$ -	\$ -
Restricted, reported in:					
Special revenue funds	387,669	263,082	271,758	204,924	276,646
Assigned, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	8,108	8,108	8,108	8,108	8,108
Total all other governmental funds	<u>\$ 398,208</u>	<u>\$ 271,190</u>	<u>\$ 279,866</u>	<u>\$ 213,032</u>	<u>\$ 284,754</u>
Total fund balances	<u><u>\$ 16,026,749</u></u>	<u><u>\$ 12,954,373</u></u>	<u><u>\$ 10,920,943</u></u>	<u><u>\$ 9,332,297</u></u>	<u><u>\$ 8,443,439</u></u>

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund					
Nonspendable	\$ 71,395	\$ 86,943	\$ 47,593	\$ 87,451	\$ 37,522
Restricted	107,635	148,943	1,116,809	1,800,803	130,778
Committed	1,417,334	1,398,693	1,245,015	203,984	144,384
Unassigned	6,386,507	6,948,472	5,251,801	5,331,092	5,353,610
Total general fund	<u>\$ 7,982,871</u>	<u>\$ 8,583,051</u>	<u>\$ 7,661,218</u>	<u>\$ 7,423,330</u>	<u>\$ 5,666,294</u>
All Other Governmental Funds					
Nonspendable, reported in:					
Special revenue funds	\$ 2,643	\$ -	\$ -	\$ -	\$ -
Restricted, reported in:					
Special revenue funds	180,225	274,609	141,609	95,601	-
Assigned, reported in:					
Special revenue funds	-	-	-	-	83,872
Capital project funds	8,108	8,108	8,108	8,108	8,108
Total all other governmental funds	<u>\$ 190,976</u>	<u>\$ 282,717</u>	<u>\$ 149,717</u>	<u>\$ 103,709</u>	<u>\$ 91,980</u>
Total fund balances	<u><u>\$ 8,173,847</u></u>	<u><u>\$ 8,865,768</u></u>	<u><u>\$ 7,810,935</u></u>	<u><u>\$ 7,527,039</u></u>	<u><u>\$ 5,758,274</u></u>

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
2024 \$	1,713,502 \$	3,421,407 \$	2,469,010 \$	1,526,647 \$	1,704,120 \$	1,047,618 \$	434,880 \$	50,709 \$	12,367,893
2023	1,397,012	2,917,541	3,456,987	1,840,574	731,543	726,840	507,727	66,089	11,644,313
2022	1,295,904	2,686,409	2,066,347	1,361,728	1,163,287	1,339,911	463,248	67,843	10,444,677
2021	1,710,383	2,756,144	2,481,699	1,274,967	1,401,742	554,469	427,171	92,884	10,699,459
2020	1,256,614	2,480,146	2,193,728	1,429,137	1,458,341	4,329,649	397,643	87,928	13,633,186
2019	1,230,019	2,235,444	2,150,485	1,459,716	677,111	2,289,276	882,258	105,400	11,029,709
2018	1,185,804	2,288,658	1,907,265	1,716,056	742,362	1,682,879	271,485	119,401	9,913,910
2017	1,135,211	2,312,087	2,049,108	1,292,176	1,698,649	3,351,960	90,800	50,367	11,980,358
2016	1,032,973	2,252,064	1,987,807	775,156	1,144,472	1,946,638	87,057	45,097	9,271,264
2015	992,342	2,269,098	1,943,321	750,219	1,039,243	588,277	45,492	40,748	7,668,740

[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[2]	Total
						Common- wealth[2]	Federal[2]	Local- County		
2024	\$ 4,776,511	\$ 4,743,918	\$ 512,339	\$ 37,572	\$ 816,414	\$ 2,466,783	\$ 1,601,996	-	\$ 318,512	\$ 15,274,045
2023	3,483,383	4,655,874	322,028	37,860	463,176	2,483,542	1,667,227	-	204,008	13,317,098
2022	3,225,845	4,431,744	343,360	39,789	432,942	2,342,812	921,615	-	141,239	11,879,346
2021	3,129,678	3,984,913	272,433	43,345	278,743	1,990,112	1,369,041	-	253,060	11,321,325
2020	3,031,047	3,576,266	104,934	43,739	404,317	2,669,598	1,077,665	-	2,995,212	13,902,778
2019	2,514,739	3,607,797	46,850	40,356	460,292	2,557,452	148,777	-	716,525	10,092,788
2018	2,524,997	3,454,719	35,938	55,144	334,010	1,909,206	427,941	-	208,605	8,950,560
2017	2,257,766	3,375,185	34,890	62,942	234,640	1,832,838	564,799	214,204	1,007,471	9,584,735
2016	2,381,837	3,181,704	23,075	68,527	271,179	1,779,637	635,740	-	2,686,650	11,028,349
2015	2,410,696	3,028,852	41,506	64,342	239,991	1,740,239	154,456	-	178,676	7,858,758

[1] Includes penalties and interest.

[2] Includes highway maintenance

Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Boats	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
2024	\$.19/\$100	\$1/\$100 \$.16/\$100[1]	\$.00/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2023	\$.19/\$100	\$1/\$100 \$.19/\$100[1]	\$.00/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2022	\$.19/\$100	\$1/\$100 \$.19/\$100[1]	\$.00/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2021	\$.19/\$100	\$1/\$100 \$.19/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2020	\$.19/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2019	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2018	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2017	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.38/\$100	\$.16/\$100	\$1/\$100
2016	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2015	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100

[1] Mobile home rate.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy [1][2]	Total Current Collections [1]	Percent of Levy Collected	Total Delinquent Tax Collections[4]	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes [3]	Percent of Delinquent Taxes to Tax Levy
2024	\$ 5,176,373	\$ 4,853,685	93.8%	\$ 88,901	\$ 4,942,586	95.5%	\$ 258,730	5.0%
2023	3,674,915	3,570,764	97.2%	80,929	3,651,693	99.4%	253,163	6.9%
2022	3,461,680	3,352,436	96.8%	47,775	3,400,211	98.2%	237,215	6.9%
2021	3,301,218	3,235,277	98.0%	81,930	3,317,207	100.5%	104,019	3.2%
2020	3,082,192	2,948,210	95.7%	40,816	2,989,026	97.0%	225,823	7.3%
2019	2,703,772	2,677,156	99.0%	35,608	2,712,764	100.3%	139,894	5.2%
2018	2,679,540	2,656,014	99.1%	50,846	2,706,860	101.0%	139,596	5.2%
2017	2,668,084	2,629,217	98.5%	40,649	2,669,866	100.1%	181,149	6.8%
2016	2,602,315	2,530,923	97.3%	25,179	2,556,102	98.2%	205,135	7.9%
2015	2,620,463	2,541,353	97.0%	62,029	2,603,382	99.3%	186,735	7.1%

[1] Exclusive of penalties and interest. Tax years 2015-2016 include VL tax as part of the personal property tax levy.

Exclusive of supplements and abatements of tax assessments

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

[3] Penalties are not included

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

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

Fiscal Year	Population	Assessed Value	Gross and Net Bonded Debt [3]	Less: Debt Payable from Enterprise Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2024	8,533 [1]	\$ 1,804,066,823	\$ 4,475,144	\$ 1,737,713	\$ 2,737,431	0.15%	\$ 321
2023	8,533 [1]	1,439,089,902	5,220,736	2,179,249	3,041,487	0.21%	356
2022	8,533 [1]	1,367,031,106	6,017,531	2,578,247	3,439,284	0.25%	403
2021	8,441 [2]	1,331,494,871	6,004,356	2,260,373	3,743,983	0.28%	444
2020	8,441 [2]	1,298,608,557	6,020,769	1,949,623	4,071,146	0.31%	482
2019	8,441 [2]	1,251,982,678	6,710,634	2,306,498	4,404,136	0.35%	522
2018	8,287 [2]	1,233,040,324	7,877,421	2,656,970	5,220,451	0.42%	630
2017	8,287 [2]	1,228,195,669	6,507,832	2,998,000	3,509,832	0.29%	424
2016	8,287 [2]	1,264,903,187	3,970,025	3,034,840	935,185	0.07%	113
2015	8,287 [2]	1,270,545,592	4,548,745	3,526,503	1,022,242	0.08%	123

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

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

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

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

Fiscal Year	Governmental Funds		Total Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to Expenditures
	Principal	Interest			
2024	\$ 434,880	\$ 50,709	\$ 485,589	\$ 12,367,893	3.93%
2023	507,727	66,089	573,816	11,644,313	4.93%
2022	463,248	67,843	531,091	10,444,677	5.08%
2021	427,171	92,884	520,055	10,699,459	4.86%
2020	397,643	87,928	485,571	13,633,186	3.56%
2019	882,258	105,400	987,658	11,029,709	8.95%
2018	271,485	119,401	390,886	9,913,910	3.94%
2017	90,800	50,367	141,167	11,980,358	1.18%
2016	87,057	45,097	132,154	9,271,264	1.43%
2015	45,492	40,748	86,240	7,668,740	1.12%

Computation of Legal Debt Margin
As of June 30, 2024

Total assessed value of taxed real property	\$	1,592,478,600
Debit limit - 10% of total assessed value	\$	159,247,860
Amount of debt applicable to debt limit - gross debt		<u>2,737,431</u>
Legal debt margin	\$	<u><u>156,510,429</u></u>

Compliance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Smithfield, Virginia, as of and for the year ended June 30, 2024 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 20, 2024.

Report on Internal Control over Financial Reporting

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

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


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

Report on Compliance and Other Matters

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

Purpose of This Report

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


Charlottesville, Virginia
December 20, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Smithfield, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Smithfield, Virginia's major federal programs for the year ended June 30, 2024. Town of Smithfield, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Smithfield, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

Report on Internal Control over Compliance: (Continued)

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

December 20, 2024

TOWN OF SMITHFIELD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/State Pass - through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation			
Pass-through payments:			
Virginia Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	ENF_AL-2023-53287-23287	\$ 1,665
Total Department of Transportation			\$ 1,665
Department of Homeland Security:			
Pass-through payments:			
Virginia Department of Emergency Management			
Hazard Mitigation Grant Program	97.039	N/A	\$ 874,228
Total Department of Homeland Security			\$ 874,228
Department of the Treasury:			
Pass-through payments:			
Virginia Department of Criminal Justice Services:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	\$ 118,493
Virginia Department of Accounts:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	1,090,908
Subtotal ALN 21.027			\$ 1,209,401
Total Department of the Treasury			\$ 1,209,401
Total Expenditures of Federal Awards			\$ 2,085,294

TOWN OF SMITHFIELD, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2024

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, 2024. 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	\$ 1,601,996
Water Fund	445,882
Sewer Fund	37,416
Total Federal revenues per financial statements	\$ <u>2,085,294</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 2,085,294

TOWN OF SMITHFIELD, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2024

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
--	---

21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
97.039	Hazard Mitigation Grant Program

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.