

A Reader's Guide
Understanding the Town of Smithfield's Annual
Financial Report
For the Fiscal Year Ended June 30, 2025

This brief guide is designed to help you understand and digest the information provided in the Annual Financial Report, as well as enhance your ability to evaluate the financial and economic condition of the Town.

Purpose of the Financial Statements

The code of Virginia **§ 15.2-2510. Comparative report of local government revenues and expenditures.** Requires the locality to prepare financial statements and file them with the Auditor of Public Accounts by December 15th.

Town government operates differently from private sector businesses. While private-sector businesses focus on maximizing profits for investors, governments focus on providing services to all citizens. In most cases, the Town does not bill citizens directly for services received (police service as an example). Instead, we primarily finance services with taxes, federal grants, and other fees applied generally to the public. Because citizens have little choice in paying taxes, and it is not always clear how the services received relate to the taxes paid, government has an important responsibility to demonstrate accountability to the public. Financial statements are an important way to provide this accountability.

The Town's financial activities are broken down by:

- *Government Activities* encompass most of the Town's basic services, such as general government, public safety, parks and rec, utilities, highways. Revenues from taxes, federal grants, and charges for services finance most of these activities.
- *Business-Type Activities* account for operations that function in a manner similar to private business, where all or a significant portion of their costs are recovered through user fees and charges to external customers. Think water/sewer.

The Town uses what is called Fund Accounting, which breaks down activities by "fund".

Government Activities:

General Fund:

General Government administration (Treasurer, Town Manager, Council)

Public Safety

Public Works

Parks, Recreation, and cultural

Community Development

Capital Projects
Debt Service

Highway Maintenance Fund:
Public Works

Business-Type Activities (also called Proprietary Funds):
These have their own revenue and expenses.
Utility (water and sewer was merged into this fund in FY25)

Government Activities and Business-Type Activities will have financial information displayed separately.

What to Look At

1. Summary of Net Position – shows assets and liabilities for both Governmental Activities and Business-type activities in a condensed report which ends in a Total Net Position. You can find this on page 12.
2. Balance Sheet – This sheet shows assets and liabilities. You can find this on page 22 for Governmental Funds and on page 26 for Proprietary Funds. This report shows what we own vs. what we owe.
3. Statement of Revenues, Expenditures and Changes in Fund Balances – This is a Profit and Loss statement and shows ending fund balance after all has been netted. You can find this on page 24 for Governmental Funds and on page 27 for Proprietary Funds. This report shows what revenue came in to cover the expenses, and lists both.
4. Schedule of Revenues – Budget and Actual. This report breaks down revenue sources, and compares actual to budgeted amount(s). You can find this on page 91-92 for the General Fund.
5. Schedule of Expenses – Budget and Actual. This report breaks down expenses for each area and compares it to budget. You can find this on page 93-94.
6. Property Tax Rates – Last Ten Fiscal Years. Page 104
7. Property Tax Levies and Collections – Last Ten Fiscal Years. Page 105.
8. Schedule of Findings and Questioned Costs. Summary of Auditor's Results. Page 117
9. Capital Assets – Note 6, Page 45. This report shows changes in the capital assets owned by the Town.

10. Long Term Obligations – Note 7, Page 48. This report shows what the town owes and changes in the long-term obligations.
11. An Independent Auditor's Report, Pages 6-9. This provides reasonable assurance about whether financial statements are free of material misstatement. After thorough evaluation of the Financial Report, the auditor issues an opinion regarding the statements' conformity with accounting principles generally accepted in the United States. The Town of Smithfield's financial statements received an unmodified opinion, the best opinion that can be received, meaning the statements are fairly presented in all material respects.
12. Management's Discussion and Analysis, Pages 10-15. This gives an objective and easily read analysis of the Town's financial activities based on currently known facts, decisions, or conditions. It presents short and long-term analyses of the Town's activities and compares the current year's results with those of the prior year. It will help you determine whether the Town's finances have improved or deteriorated during the year.

Laura Ross

Treasurer, Town of Smithfield

1/7/2026