

TOWN OF SMITHFIELD, VIRGINIA



FINANCIAL REPORT YEAR  
ENDED JUNE 30, 2020



**TOWN OF SMITHFIELD, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

**Prepared by:**

Ellen Minga, Town Treasurer



# Town of Smithfield, Virginia

## Town Council and Executive Officers

### Mayor

T. Carter Williams

### Vice-Mayor

Michael G. Smith

### Council Members

Beth Haywood  
Randolph H. Pack  
Wayne Hall  
Denise N. Tynes  
Valerie C. Butler

### Committees

#### Finance

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

#### Water and Sewer

Michael G. Smith (CH)  
Randolph H. Pack  
Denise N. Tynes

#### Public Safety - Police

Denise N. Tynes (CH)  
Wayne Hall  
Beth Haywood

#### Isle of Wight Tourism Bureau

Denise N. Tynes  
T. Carter Williams

#### Intergovernmental

T. Carter Williams  
Michael G. Smith

### Town Clerk

Lesley M. Greer

### Town Manager

Michael Stallings

### Treasurer

Ellen D. Minga

### Chief of Police

Alonzo Howell

#### Public Works

Beth Haywood (CH)  
Michael G. Smith  
Denise N. Tynes

#### Public Buildings and Welfare

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

#### Parks and Recreation

Wayne Hall (CH)  
Valerie C. Butler  
Beth Haywood

#### Smithfield Planning Commission

Randolph H. Pack



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**Independent Auditors' Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Smithfield, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Smithfield, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-17, 72-73, and 74-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ***Supplementary and Other Information***

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

The supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the Town of Smithfield, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Smithfield, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Smithfield, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer Cox Associates*  
(Charlottesville, Virginia  
December 11, 2020

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**Management's Discussion and Analysis**  
**Fiscal Year July 1, 2019 - June 30, 2020**

The following discussion provides an overview and analysis of the Town of Smithfield, Virginia's (Town's) financial activities for the fiscal year ended June 30, 2020. This information should be read in conjunction with the Town's audited financial statements as reported herein.

**FINANCIAL HIGHLIGHTS**

- The net position of the Town increased by \$4,045,964 which represents an 8% increase over FY2019 (total net position-government-wide).
- The Town received federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding totaling \$434,006 to reimburse unbudgeted expenses directly resulting from the COVID-19 pandemic in the United States.
- The Town made progress on the 4<sup>th</sup> and final phase of the Pinewood Heights Redevelopment Project expending \$1,038,618 in FY2020 for acquisition of 9 properties and relocation of 2 homeowners and 2 renters. The Town was reimbursed \$582,571 from the Virginia Department of Housing and Community Development (VHCD) for this community development block grant (CDBG) project.
- The Town purchased the Smithfield Times (newspaper) building for \$427,512 after the owner retired and the business was sold. The building is located directly behind the Town Hall building in downtown Smithfield.
- The Town accepted improvements from Historic Windsor Castle Restoration LLC totaling \$2,590,580 upon completion of a multi-year project at Windsor Castle Park. The improvements included rehab work on the pole barn, outbuildings, and the historic manor house including period appropriate furnishings.

**Overview of the Financial Statements**

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

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

**Government-wide financial statements**

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

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

## Government-wide financial statements: (Continued)

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

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

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

## Fund Financial Statements

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

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

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

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

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

**Supplementary Information** - In addition to the basic financial statements and accompanying notes, this report also contains schedules of budget comparisons, pension funding progress, supporting schedules and other statistical information found on pages 72 through 105.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Town of Smithfield, Virginia  
Summary of Net Position  
As of June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Current and other assets	\$ 12,485,510	\$ 12,470,394	\$ 8,948,072	\$ 7,746,662	\$ 21,433,582	\$ 20,217,056
Capital assets	30,035,375	26,813,064	14,194,339	14,644,105	\$ 44,229,714	\$ 41,457,169
Total assets	<u>\$ 42,520,885</u>	<u>\$ 39,283,458</u>	<u>\$ 23,142,411</u>	<u>\$ 22,390,767</u>	<u>\$ 65,663,296</u>	<u>\$ 61,674,225</u>
Deferred outflows of resources	\$ 638,192	\$ 254,372	\$ 127,407	\$ 63,574	\$ 765,599	\$ 317,946
Long-term liabilities outstanding	\$ 4,989,713	\$ 5,295,058	\$ 2,042,065	\$ 2,380,491	\$ 7,031,778	\$ 7,675,549
Other liabilities	1,066,831	981,459	244,288	319,064	\$ 1,311,119	\$ 1,300,523
Total liabilities	<u>\$ 6,056,544</u>	<u>\$ 6,276,517</u>	<u>\$ 2,286,353</u>	<u>\$ 2,699,555</u>	<u>\$ 8,342,897</u>	<u>\$ 8,976,072</u>
Deferred Inflows of Resources	\$ 2,482,806	\$ 2,506,859	\$ 37,870	\$ 53,569	\$ 2,520,676	\$ 2,560,428
Net position:						
Net investment in capital assets	\$ 25,813,746	\$ 22,192,996	\$ 12,259,196	\$ 12,356,908	\$ 38,072,942	\$ 34,549,904
Restricted	372,195	107,635	3,200,895	3,125,014	\$ 3,573,090	\$ 3,232,649
Unrestricted	8,433,786	8,453,823	4,421,817	4,219,295	\$ 12,855,603	\$ 12,673,118
Total net position	<u>\$ 34,619,727</u>	<u>\$ 30,754,454</u>	<u>\$ 19,881,908</u>	<u>\$ 19,701,217</u>	<u>\$ 54,501,635</u>	<u>\$ 50,455,671</u>

The FY2020 combined net position for the Town totaled \$54,501,635, an increase of 8% over FY2019. The largest portion (70%) represents investments in capital assets, net of related debt used to finance the assets. These capital assets include land, buildings, machinery, and equipment. They are used to provide services to citizens; thus, they are not available for future spending. This net investment increased by \$3,523,038 in FY2020 as no additional debt was incurred to offset new construction and infrastructure upgrades. Restricted assets of \$3,573,090 comprise 6% of total net position and increased by \$340,441 (11%) over prior year resulting from an increase of \$264,560 in governmental activities and an increase of \$75,881 in business activities. The restricted assets for governmental activities (\$372,195) represent donated and/or designated funds specifically for the Pinewood Heights Redevelopment Project, the Smithfield Police Department, SNAP (Supplemental Nutrition Assistance Program), and highway maintenance.

The business-type activities total of \$3,200,895 includes its debt service (\$859,880), water deposit (\$11,088) and sewer compliance (\$2,329,927) escrow funds. The debt service fund has been in place since FY2005 and is used to retire the debt obligation for the Town's newest water storage tank finished in FY2011 and the water treatment plant (RO) that was completed in FY2012. Utility deposits were added to the Town Code in FY2014 to reduce the Town's losses from unpaid bills and are refundable after 6 billing cycles without delinquent payment. The sewer compliance fee was adopted on August 4, 2009 to fund expenses resulting from the regional sanitary sewer consent order. The consent order is an ongoing project that has progressed from its initial implementation phase to now include "find and fix" projects on an annual basis. Unrestricted funds of \$12,855,603 make up 24% of total net position and increased by \$469,702 (4%) from prior year. Included in this category for governmental activities are reserves and unrestricted investments that may be used to meet the Town's ongoing financial needs. Water and sewer capital escrow funds and development escrow funds are also categorized as unrestricted and are made up of availability fees and pro-rata share fees collected prior to construction that may be used to repair or replace existing infrastructure as well as offset capital expenses related to new growth when needed.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

**Governmental Activities.** The following table shows a detailed summary of the revenues and expenses for governmental and business-type activities for 2020 as compared to 2019:

Town of Smithfield, Virginia  
Changes in Net Position  
As of June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Revenues:						
Program Revenues:						
Charges for services	\$ 148,673	\$ 87,206	\$ 2,847,287	\$ 2,851,346	2,995,960	2,938,552
Operating Grants and Contributions	2,495,025	1,557,719	-	-	2,495,025	1,557,719
Capital Grants and Contributions	3,702,277	1,303,665	194,180	522,900	3,896,457	1,826,565
General Revenues:						
Property taxes	3,129,739	2,519,668	-	-	3,129,739	2,519,668
Other taxes	3,576,266	3,607,797	-	-	3,576,266	3,607,797
Unrestricted revenues from the use of money and property	404,317	460,292	41,245	59,008	445,562	519,300
Miscellaneous	100,136	112,880	40,740	26,967	140,876	139,847
Grants and contributions not restricted to specific programs	445,037	448,490	-	-	445,037	448,490
Total revenues	\$ 14,001,470	\$ 10,097,717	\$ 3,123,452	\$ 3,460,221	\$ 17,124,922	\$ 13,557,938
Expenses						
General government administration	\$ 1,324,043	\$ 1,218,767	\$ -	\$ -	\$ 1,324,043	\$ 1,218,767
Public safety	2,687,945	2,335,986	-	-	2,687,945	2,335,986
Public works	2,648,183	2,531,611	-	-	2,648,183	2,531,611
Parks, recreation and cultural	1,931,278	1,701,593	-	-	1,931,278	1,701,593
Community development	1,458,373	699,508	-	-	1,458,373	699,508
Interest on long-term debt	86,375	107,901	-	-	86,375	107,901
Water fund	-	-	1,878,610	1,593,655	1,878,610	1,593,655
Sewer fund	-	-	1,064,151	903,326	1,064,151	903,326
Total expenses	\$ 10,136,197	\$ 8,595,366	\$ 2,942,761	\$ 2,496,981	\$ 13,078,958	\$ 11,092,347
Increase (decrease) in net position	\$ 3,865,273	\$ 1,502,351	\$ 180,691	\$ 963,240	\$ 4,045,964	\$ 2,465,591
Net position-beginning of year	\$ 30,754,454	\$ 29,252,103	\$ 19,701,217	\$ 18,737,977	\$ 50,455,671	\$ 47,990,080
Net position-end of year	\$ 34,619,727	\$ 30,754,454	\$ 19,881,908	\$ 19,701,217	\$ 54,501,635	\$ 50,455,671

Program revenues for governmental activities make up 45% of total revenues and are comprised of charges for services (3%), operating grants and contributions (39%), and capital grants and contributions (58%). Charges for governmental activities services which includes permits, review fees, inspection fees, and fines and forfeitures increased by \$61,467 over prior year. The largest increase was a single rezoning permit for \$55,870 that was paid by a builder for a proposed new development. Decreases in zoning permits (-\$6,440), and DMV stop fees (-\$2,010) were offset by increases in review fees (\$6,775), inspection fees (\$2,550), E&S fees (\$2,750), and fines and costs (\$3,503).

Operating grants and contributions of \$2,495,025 increased \$937,306 from prior year and consist of state highway maintenance funds (\$1,247,245), public safety grants (\$223,976), community development grants (\$582,571), cultural grants (\$4,500), CARES Act funding (\$434,006), and a litter prevention grant (\$2,727). The annual state highway maintenance funds increased only \$3,320 (.2%) from FY2019 and were used to maintain street surfaces, manage storm water ditching and drainage, and support highway safety and beautification. Included in the public safety grants are annual 599 funds from the state (\$179,648) that are used to supplement the cost of law enforcement, a fire programs grant that is passed through to the Smithfield Volunteer Fire Department (\$29,461), and federal police grants (\$14,867) for operations. The community development operating grant represents the reimbursable portion of the Pinewood Heights CDBG Redevelopment Project. The contract with the Virginia Department of Housing and Community Development (DHCD) dedicated \$1,000,000 in grant money for acquisition of properties and relocation of residents. As of year-end 2020, grant funds remaining total \$386,429. Federal CARES Act funding of (\$434,006) was used to reimburse unbudgeted costs for personal protective equipment, disinfecting supplies, public safety salaries, and other pandemic related expenses.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

The most significant change in program revenues occurred in capital grants and contributions which increased \$2,398,612 from \$1,303,665 in FY2019 to \$3,702,277 in FY2020. In FY2020, the Town recorded contributions of \$80,000 specifically designated for the public sports complex including \$50,000 from Isle of Wight County for the 4th payment of its 5- year commitment toward the project and \$30,000 from Smithfield Recreation Association (SRA) for the 1<sup>st</sup> of a 10-year commitment totaling \$300,000. The Town also accepted improvements to the manor house and outbuildings at Windsor Castle Park (WCP) valued at \$2,590,580 and related tax credits of \$224,496 donated by Historic Windsor Castle Restoration. Finally, the Town received \$807,201 in VDOT reimbursements for its right-turn lane (\$749,316) and intersection improvement alternatives analysis (\$57,885) projects.

A significant revenue source for the Town has always been general property taxes. FY2020 was not a reassessment year so value changes resulted from new construction and renovation or demolition of previously assessed property.

	FY2020	FY2019
Real estate tax revenue	\$ 2,330,489	\$ 1,745,781
Public Service corporation property	35,285	29,661
Personal Property taxes	721,896	701,457
Penalties and interest	42,069	42,769
<b>Total</b>	<b>\$ 3,129,739</b>	<b>\$ 2,519,668</b>

Tax assessments for the Town are received from the Isle of Wight County Commissioner of Revenue.

Real estate and personal property assessments for FY2020 totaled \$1,181,804,400 and \$138,843,878 respectively, excluding any subsequent supplements and abatements, compared to \$1,121,399,297 and \$130,583,381 for FY2019.

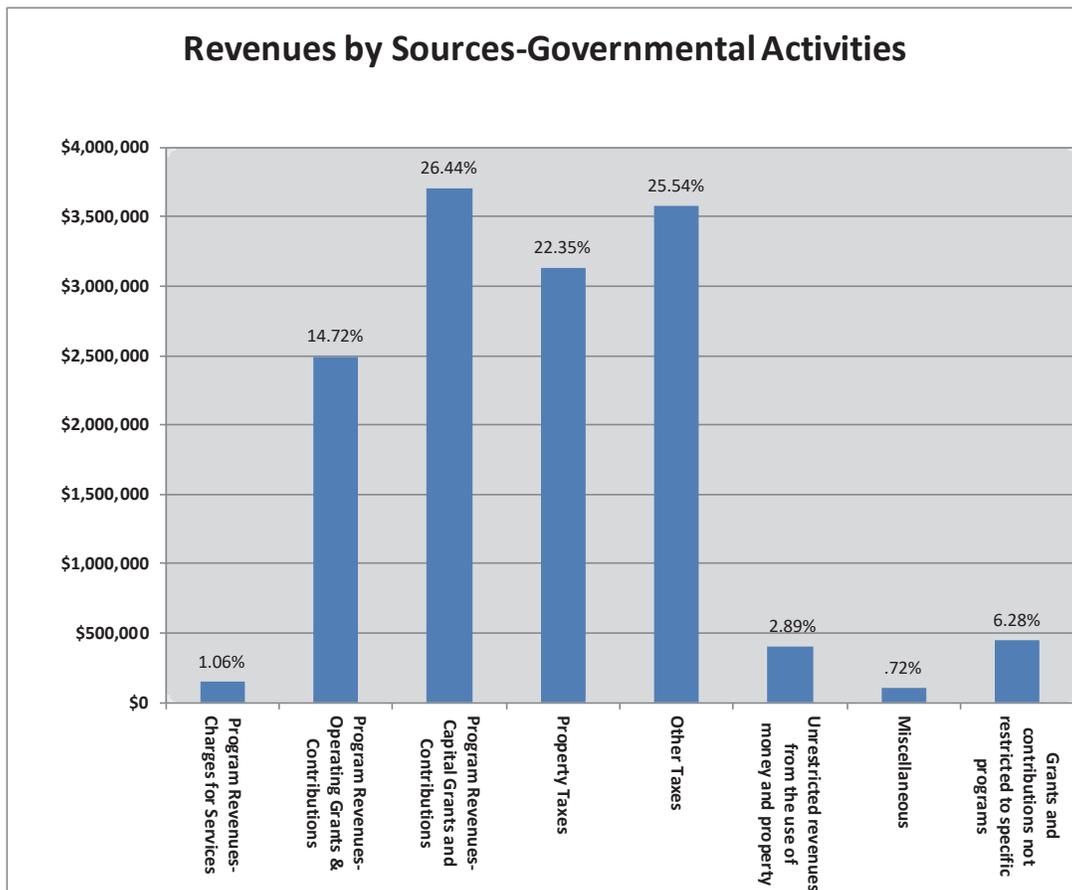
Other local taxes decreased \$31,531 (-1) % for the year and include transient occupancy taxes, sales taxes, cigarette taxes, meals taxes, franchise taxes, consumers' utility taxes, business license taxes, and vehicle license taxes. Considering the impact of the COVID-19 pandemic, the Town was fortunate to remain stable in this category as local taxes are most likely to be affected by an uncertain economy. Increases were limited to sales tax, consumer utility tax, and cigarette tax stamps. Not surprisingly, meals tax, bank franchise tax, business license tax, vehicle license tax, and transient occupancy tax all reflected decreases over prior year although not to the degree first projected. Sales taxes increased by \$57,359 over FY2019 as the first 8 months of the fiscal year were showing signs of a very healthy local economy. Utility taxes are imposed and levied monthly on each purchase of natural gas or electricity delivered to consumers. Fluctuations tend to be small and changes in value usually impact utility tax and consumption tax similarly, but in FY2020, consumer utility tax increased by \$8,869 and consumption tax decreased by \$216. Cigarette tax stamp sales increased by \$67,576 with \$85,098 of the total \$228,865 received in the final 4 months of the year compared to \$54,285 for the same period last year. This increase may possibly reflect an unhealthy outlet for pandemic restrictions and stress. Meals tax revenues of \$1,802,305 decreased slightly (\$8,540) over FY2019's total of \$1,810,845. Given that 4<sup>th</sup> quarter sales were greatly impacted by COVID related closures, the slight loss was a positive outcome. The Town continues to dedicate 32% of meals tax revenues (\$576,738) to the Pinewood Heights Relocation Project to fund its portion of required leverage. Bank franchise taxes of \$115,998 decreased \$41,714 with all but one of the Town's 5 banking institutions posting a reduction from last year. Also, a refund of \$21,681 was paid to Truist bank as directed by the Commonwealth of Virginia for franchise taxes overpaid in 2012-2014. Business license taxes of \$362,256 decreased by \$40,875 compared to an increase in FY2019 of \$9,423. Business license revenue is an important indicator of economic stability in the Town and is therefore reviewed closely each year. Vehicle license taxes are billed with personal property taxes at a rate of \$33 per qualified vehicle and \$18 per qualified motorcycle. Collections for this tax decreased from \$254,331 in FY2019 to \$218,872 in FY2020. Transient occupancy tax of \$182,901 reflected a decrease of \$39,004. Like restaurants, the lodging industry was greatly impacted by travel restrictions and closures during 4<sup>th</sup> quarter 2020.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)**

Unrestricted revenue from use of money and property represents interest income, lease income, property rental income, event rental income, gift shops sales, fingerprinting, and special events labor reimbursement. Revenues in this category decreased \$55,975 (12%) from FY2019. The largest decrease of \$24,971 was noted in Town interest revenue. General fund interest for March through June totaled \$6,290 compared to \$26,010 in FY2019. Interest rates were low and incoming cash was limited. Smithfield Center Rentals of \$167,057 were \$23,017 lower than prior year as events were rescheduled or canceled due to gathering restrictions and closures. All preferred vendor program income (\$5,500) was refunded to vendors since they were not able to benefit while the Smithfield Center and Windsor Castle Manor House were closed to the public.

Miscellaneous revenues for FY2020 totaled \$100,136 and are made up of insurance proceeds, sale of copies, returned check charges, accident report fees, capital credit refunds, sale of property and equipment, and contributions from citizens, businesses, and non-profit organizations. Contributions for the museum (\$82,509) comprised 82% of this category for FY2020 and included \$81,264 from Isle of Wight County for reimbursement of 50% of the museum’s operating costs. Donations of \$1,310 for CHIP (Community Help in Progress) and \$3,200 for local citizens assistance, both sponsored by the Smithfield Police Department, as well as a safety grant (\$3,031) from the Town’s insurance provider were also recorded in 2020. The Town received \$7,594 in insurance reimbursements from its provider, the Virginia Risk Sharing Association (VRSA) for claims pertaining to damages to town property. In addition to contributions and reimbursements, the Town brought in \$1,664 from the sale of a retired vehicle.

Grant contributions not restricted to specific programs include the state’s annual personal property tax relief contribution, communications tax allocations, rolling stock, mobile home tax, and short-term rental taxes. The personal property tax relief of \$240,794 is a fixed amount that is received from the Commonwealth of Virginia in August of every year. Communications taxes are collected by the state as well and then allocated to each locality based on a percentage that was calculated when the tax was removed from the local level and redirected to the state. Revenues vary depending upon taxes collected and deductions applied by the state. Communications taxes of \$196,210 for FY2020 decreased \$4,578 from FY2019 marking a decline for the seventh consecutive year. Rolling stock, mobile home tax, and short-term rental tax collectively totaled \$8,033 which was 32% higher than the prior year total of \$6,097.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

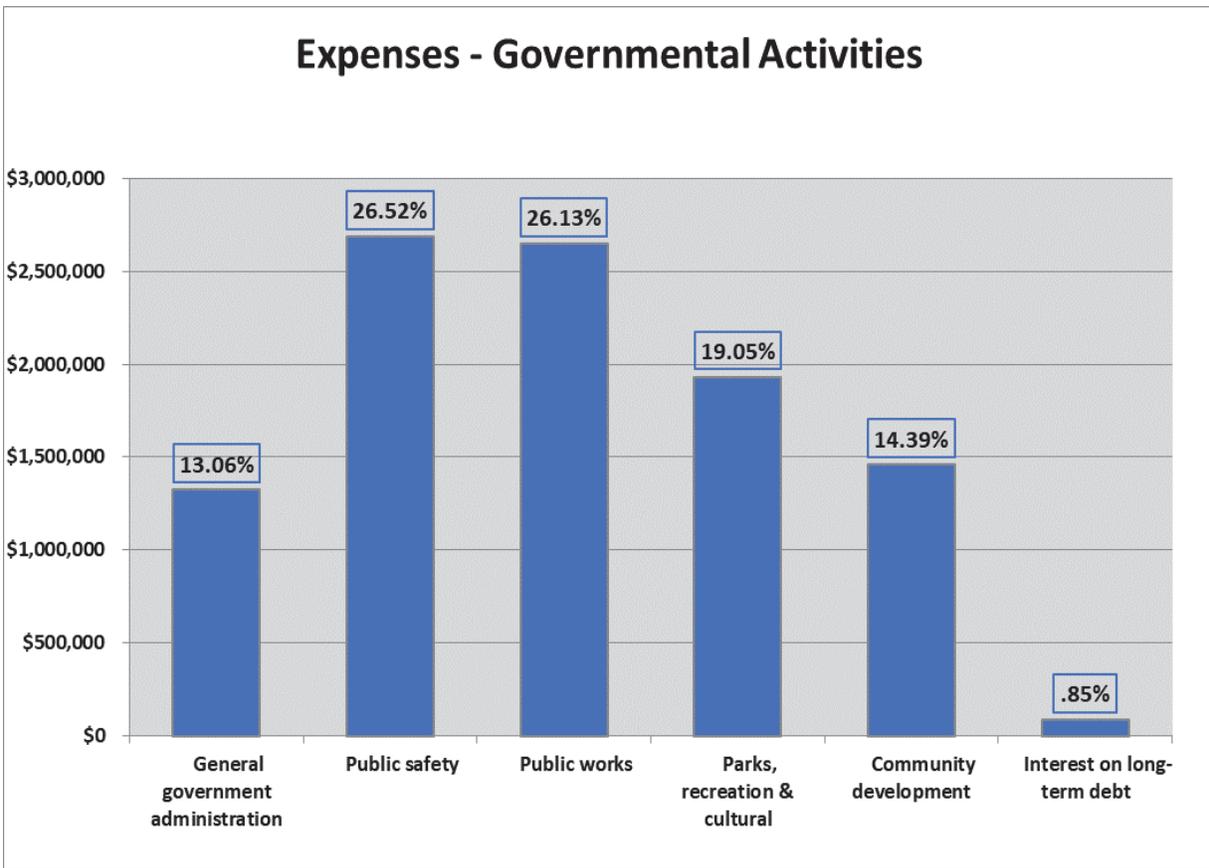
Total expenditures for FY2020 governmental activities equaled \$10,136,197 compared to \$8,595,366 for FY2019, an increase of \$1,540,831 (18%). These expenses are categorized as general government administration, public safety, public works, parks, recreation, and cultural, community development, and interest on long term debt. General government expenditures increased \$105,276 over FY2019. Increases in areas such as professional services (\$60,485), COVID-19 expenses (\$25,856), and maintenance contracts (Treasurer's office) (\$35,490) were offset by savings in travel & training (-\$18,502). Professional services included on-site support for interim Town Manager services for almost 6 months. COVID-19 expenses were charged to a new line item in order to track reimbursable expenses directly caused by the pandemic. These expenses were previously unbudgeted. Maintenance contracts in the Treasurer's office increased as the MUNIS software conversion proceeded and annual maintenance costs were incurred. Travel and training dropped for all departments as spring workshops and training were reduced to online events in response to pandemic concerns.

Public safety and public works (including highway maintenance) are the largest cost centers and accounted for 53% of total costs. Public safety increased by \$351,959 due to changes in salaries and benefits (\$182,250), adjustments for net pension asset and OPEB liabilities (\$104,257), equipment expenses (\$36,901), and E911 dispatch (\$42,485). A COLA of 2% with a possible 1% merit increase was effective for all employees as of July 1, 2019. Additionally, a vacant patrol officer position was filled after months of vacancy. Health insurance costs increased by 6% at renewal on July 1, 2019 as well. Contributed E911 dispatch costs to Isle of Wight County increased from \$161,955 in 2019 to \$204,440 in FY2020. Public Works ended the fiscal year with a 5% increase in costs (\$116,572). This increase resulted from computer & technology expenses (\$126,231). The Town entered into a Shared Technology Use Agreement with Isle of Wight County on October 1, 2019 instead of hiring a new IT administrator. While the cost of the shared services (\$94,500) was offset by a reduction in an FTE, the expense was reallocated to Public Buildings (division of Public Works) whereas the IT administrator position was funded under General Government Administration. Also, departmental IT budgets were mainly redirected to a centralized computer and technology account in Public Buildings (\$31,731).

Parks, recreation, and cultural reflected an increase in expenditures of \$229,685. In FY2019, the Town contributed \$500,000 to the Windsor Castle Park Foundation for restoration work at the manor house and improvements to the tenant house and outbuildings. In FY2020, the Town contributed a final \$250,000 towards the restoration project which was a savings of \$250,000 over prior year. Upon the project's completion, a new cost center was created for the Manor House for staffing and other associated costs which totaled \$31,399 for the year. The Joseph W Luter Jr Sports Complex which opened in the spring of 2019 posted its first full year of expenses, increasing costs by \$30,560 over 2019. Deposits totaling \$26,969 for Smithfield Center events were refunded to customers due to COVID cancellations. Also, salaries and benefits for Parks & Recreation increased by \$81,144 with the addition of 2 new staff positions to service Town facilities. The largest increase in the Parks & Recreation department for the year was depreciation expense which increased by \$188,863 as donated improvements totaling \$2,590,580 were added to the fixed asset schedule.

Community Development reflected a 108% increase for the fiscal year (\$758,865) as Phase IV of the Pinewood Heights Redevelopment Project progressed with 9 property acquisitions and 4 resident relocations totaling \$980,901 in operating costs compared to \$263,144 in prior year. The Town's 2020 contribution towards Tourism, a shared service with Isle of Wight County, decreased \$18,776 over prior year. however, tax relief for veterans/elderly/disabled increased by \$69,051. This relief is recognized as a community development cost to the Town. Interest on long-term debt decreased \$21,526 as the Town paid its debt as scheduled. No new debt was incurred for FY2020.

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

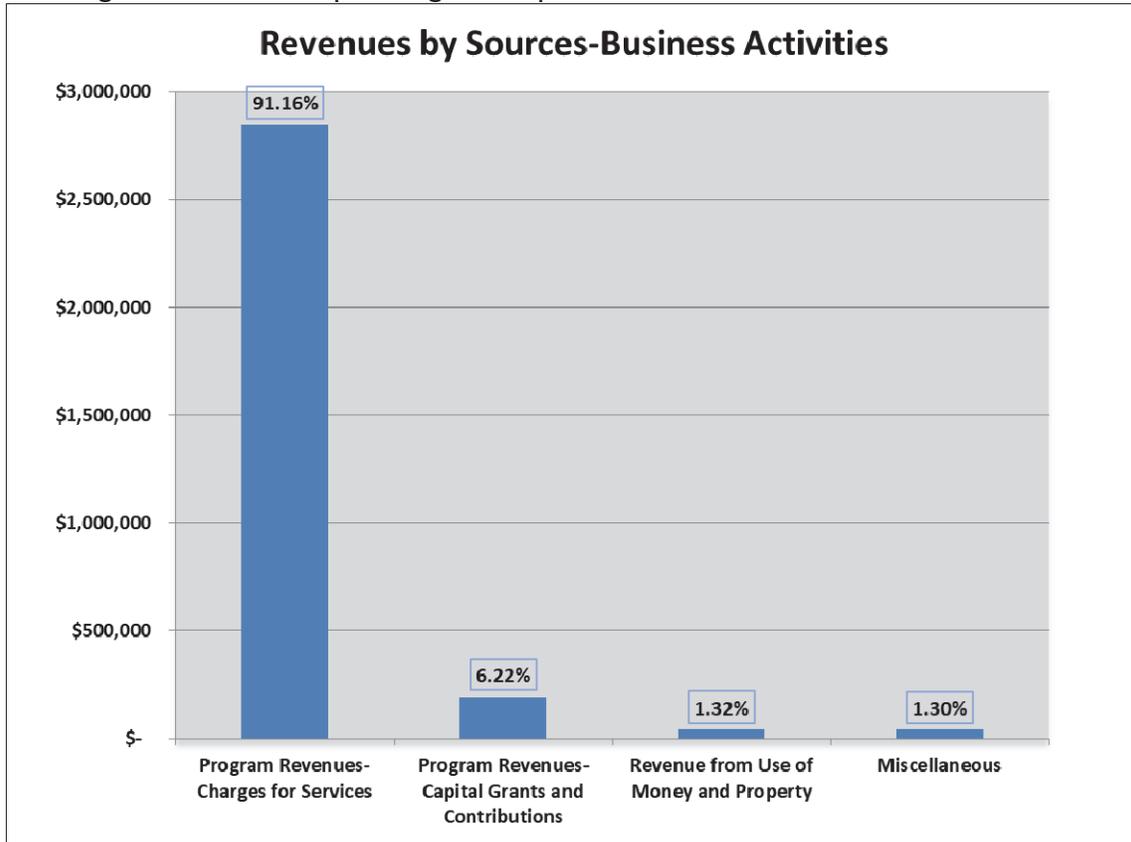


**Business-Type Activities.** The business-type activities show an increase in net position of \$180,691 for FY2020 compared to FY2019. Program revenues include charges for services that decreased by \$4,059 and capital grants and contributions that decreased by \$328,720. Included in charges for services are utility charges, bulk water sales, connection fee, debt service fees, and sewer compliance fees. Combined water and sewer consumption dropped slightly from prior year but reflected an increase in utility charges of \$64,572 due to a rate increase of 3% effective July 1, 2019. An increase was reflected in both the sewer fund (\$17,785) and the water fund (\$46,787). The sewer rate increased from \$3.50 to \$3.61 per 1,000 gallons while the water rate was increased from \$6.14 to \$6.32 per 1,000 gallons. The town also has periodic requests from contractors for bulk water purchases which totaled \$3,416 for FY2020. Connection fees decreased significantly by \$78,190 with the installation of 25 residential meters (5/8”) and one commercial upgrade (1”) in FY2020 as compared to 66 residential meters and one commercial upgrade (1”) in FY2019 indicating a drop in new construction. Debt service fees and sewer compliance fees reflected a combined increase of \$8,674 for the year. They are fixed costs that are not driven by consumption, and therefore tend to remain stable unless there is a significant change in rates or a sizable fluctuation in the number of active accounts. No rate changes were made to the debt service or sewer compliance fees in FY2020. Capital Grants and Contributions include availability fees and pro-rata share fees. Like connection fees, availability fees are tied directly to growth and are generally collected at the same time as connection fees. Availability fees decreased from \$442,899 in FY2019 to \$189,380 in FY2020 as 41 fewer residential meters were installed. Availability fees are deposited into the Water and Sewer Capital Escrow Funds and are used for capital maintenance on existing infrastructure and to finance new infrastructure when needed. Pro-rata share fees also decreased considerably from \$80,000 last year to \$4,800 in FY2020. These fees are paid by developers at the time that plats are recorded and are assessed at \$1200 for water and \$1200 for sewer per lot. Pro-rata share fees are designated for capital expenditures resulting from new growth and are deposited in the Water and Sewer Development Escrow Funds. Included in general revenues for water and sewer are unrestricted revenues from the use of money and property (interest income) and miscellaneous revenues. Interest income decreased \$17,763 while miscellaneous revenues of \$40,740 increased by \$13,773 from FY2019. Miscellaneous revenues represent application fees for water service (\$9,163), returned check charges (\$25), sale of inventory items to contractors or scrap metal yard (\$2,989), and insurance recoveries (\$28,563). Insurance was collected as reimbursement for at the Crescent and Cypress Creek Pump Station following significant weather events.

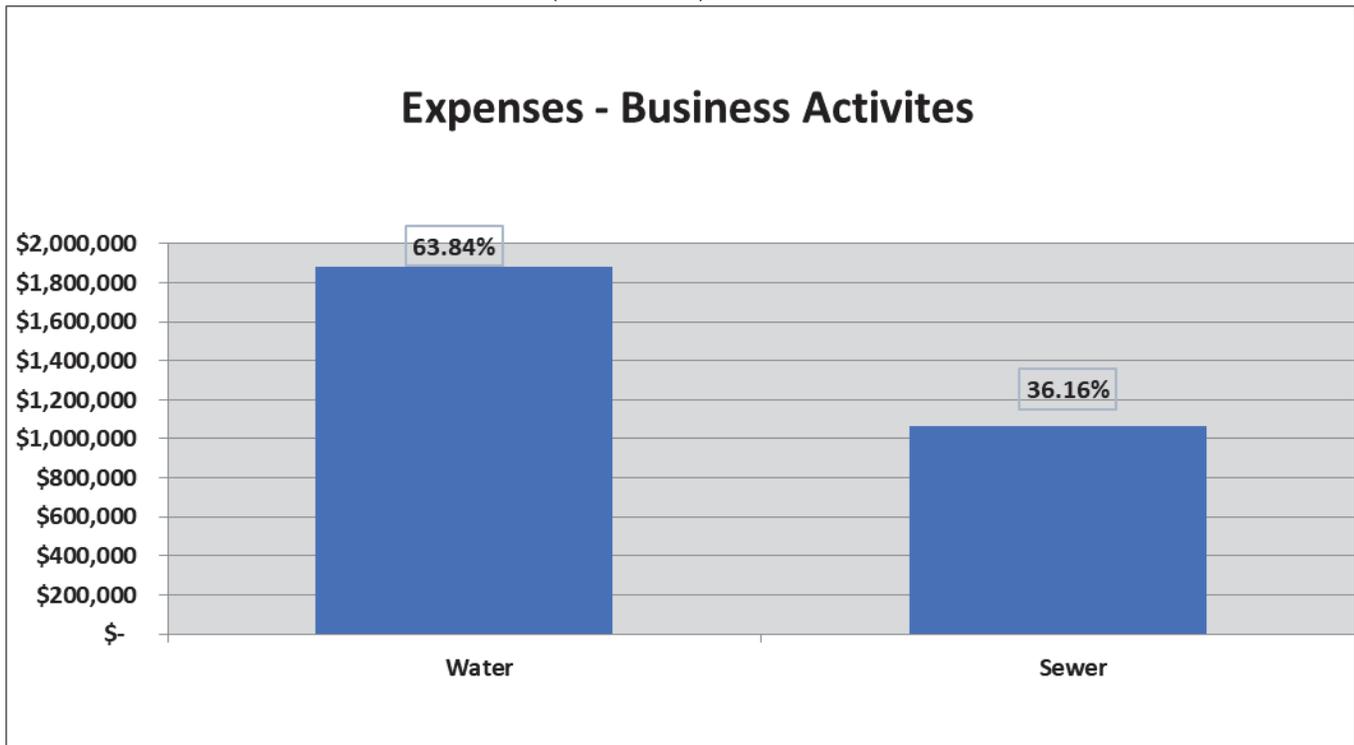
**GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)**

Expenditures increased \$445,780 for the year with increases in both water (\$284,955) and sewer (\$160,825). The water fund recorded increases in salaries and benefits totaling \$23,618 due primarily to an adjustment to record net pension liability. The water fund also recorded an unbudgeted contribution of \$143,478 to Smithfield Foods for its portion of installation costs for well nests required by the Department of Environmental Quality (DEQ). Repairs and maintenance increased by \$51,759 over prior year due to a change in the Town’s fixed asset policy increasing the capital threshold from \$5,000 to \$25,000. Consequently, improvements that would have been considered capital maintenance in prior years were expensed as operating maintenance. HRSD wastewater treatment charges increased by \$52,138 over prior year because of an annual 9% rate increase paired with an increase in consumption, the first in five years. RO consumption in 2020 totaled 39,637,137 gallons compared to 35,614,152 gallons in 2019. The sewer fund recorded increases in salaries and benefits (\$70,664), materials and supplies (\$11,837), repairs and maintenance (\$29,040), professional fees (\$4,205), and pump replacement and conditioning (\$61,003). Like water, salary and benefits increased largely due to an adjustment to record net pension liability. Materials and supplies increased as inventory items were used to maintain the pump stations and sewer lines throughout the year. Again, like the water fund, sewer maintenance increased because of a change in the fixed asset policy that increased the capital threshold by \$20,000 leaving items below \$25,000 to be recognized as operating expenses. Also, a new line item for pump replacement and conditioning was budgeted to track those significant costs at the various pump stations. Professional fees increased as the engineering firm Draper Aden worked with the Town regarding general review services that included data base updates for the Regional Hydraulic Model, local consent order meetings, and continued revisions of the Town’s design standards.

The Town’s current utility rate structure is based on “usage only” with fixed costs added to address sewer compliance and water debt service expenses. The Town’s current sewer rate was adopted as of July 1, 2019 and is billed at \$3.61 per 1,000 gallons used. In addition, a fixed cost of \$18.62 is added to each bi-monthly bill for sewer compliance expenses. As of July 1, 2019, the Town Council also approved a water rate of \$6.32 per 1,000 gallons used and a fixed bi-monthly debt service fee of \$11.47. The only exception to the water billing structure is the rate charged to Isle of Wight County (\$6.47) in lieu of a separate usage rate and debt service fee. That rate is based on the prevailing rate per 1,000 gallons as set by Isle of Wight County through its membership with the Western Tidewater Water Authority and may be amended form year to year. Consumption and utility revenues are presented to the finance committee each month with the financial statements to ensure that revenues are enough to meet both operating and capital needs.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)



## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

**Governmental Funds.** The Town's governmental funds relay information on current sources and uses of spendable resources, as well as on the balances of spendable resources available at fiscal year end. The fund balances of total governmental funds equaled \$8,443,439 for FY2020, of which \$48,769 is nonspendable, \$372,195 is restricted, \$1,187,710 is committed, \$8,108 is assigned, and \$6,826,657 is unassigned.

**General Fund.** The general fund is the Town's primary operating fund for all governmental activities. Total fund balances for FY2020 equaled \$8,158,685 which is an increase of \$175,814 from prior year. The fund balances consist of: nonspendable fund balance of \$48,769, restricted fund balance of \$95,549, committed fund balance of \$1,187,710, and unassigned fund balance of \$6,826,657.

**Highway Maintenance Fund.** The highway maintenance fund is used to track receipts from the Commonwealth of Virginia that are specifically designated for road maintenance and to identify allowable expenses that may be charged against state revenue. Restricted fund balance of \$276,646 for FY2020 is an increase of \$93,778 from a total fund balance of \$182,868 in FY2019. Ideally, the fund balance of highway maintenance should approach zero as grant funds from the state are required to be spent in the same year they are allocated.

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

**Proprietary Funds.** The Town's only proprietary funds are its water and sewer funds which provide the same type of information included in the government-wide financial statements but in more detail. As of 2020 the combined total assets of the proprietary funds equaled \$23,142,411 which is a 2% decrease from FY2019. Current and other assets increased \$100,083 from prior year and included cash and cash equivalents, receivables net of allowances for uncollectible accounts, due from other funds, due from other governmental units, inventory, restricted assets, and net pension asset. Cash and Cash Equivalents increased by \$119,191 (unrestricted cash and cash equivalents) for the water fund and \$15,235 (unrestricted cash and cash equivalents) for a total of \$134,426. Due from other funds increased \$92,584 as a result of the intercompany receivable between the water and sewer funds. Receivables net of allowances decreased \$63,301 as unbilled receivables

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS: (Continued)

were \$37,701 lower than prior year and allowance for doubtful accounts increased by \$23,369. Restricted assets also increased \$70,086 as sewer compliance spending was used for "find and fix" projects that did not exceed the fixed fees collected with monthly billings. A net pension asset of \$128,262 was also recorded as required by GASB 68 Accounting and Financial Reporting for Pensions which was a decrease of \$122,415 over prior year. There were smaller increases/decreases in inventories (-\$2,093), prepaid items (\$-11,739), and due from other governmental units (\$2,535). Total capital assets decreased by \$449,766 as accumulated depreciation increased by \$712,290 and was offset by an increase of only \$262,524 in gross asset value.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's FY2020 budget was adopted by Town Council at a special meeting held on June 24, 2019. It was appropriated at the July 7, 2019 Town Council meeting effective as of July 1, 2019. The Town Council also approved several appropriation resolutions during the fiscal year totaling \$440,634. These appropriations addressed the fire programs fund (\$29,461) and federal CARES Act reimbursements (\$411,173). Budgeted general fund revenues totaled \$11,136,007 for the year, but actual revenues equaled \$12,655,342. The categories reflecting the most significant variances from budget are General Property Taxes (\$210,449), Miscellaneous (\$2,707,656), categorical aid from the Commonwealth (\$430,243), and categorical aid from the federal government (-\$1,845,549). Property taxes are projected based upon expected development, reassessments, and the general state of the economy, but some years deviate more from projections than expected. In FY2020, the Town's tax base was higher than budgeted, and since it was not a reassessment year, the change indicates new construction and additional residents. The increase in Miscellaneous revenue occurred because the Windsor Castle Park Rehab Project was completed, and the Town accepted donated improvements totaling \$2,590,580. Related to the project, the Town also received tax credit contributions totaling \$224,496 that were originally projected at \$100,000. The increase in categorical aid from the Commonwealth and the decrease in categorical aid from the federal government resulted from an exception to the funding source used in the Town's right turn lane project required by VDOT for entrance into the Joseph W. Luter Jr. Sports Complex. Normally, the allocation is 80% federal, 20% state, and 2% local match. For this project, a waiver allowed the Town to utilize all state funding for the 98% grant portion in order to exhaust previously allocated funds that could be surrendered back to the state if not used. Even without that exception, categorical aid from the federal government would have still fallen short of budget due several large capital projects that did not progress as budgeted. Phase IV of the Pinewood Heights Redevelopment Project moved forward in FY2020 qualifying for \$582,571 in grant reimbursement, but budget was based on total value of grant proceeds allocated to the project (\$1,000,000). The Town also included \$707,840 in federal aid for intersection improvements at its Benns Church/Route 258/Route 10 bypass intersection. Preliminary engineering work was completed on the project but only \$56,620 was expensed in FY2020. Also, another \$180,100 was budgeted for the Smithfield to Nike Park Trail analysis, but no activity occurred in FY2020.

Highway revenues from the Commonwealth of Virginia were budgeted at \$1,243,925, but actual receipts for the year totaled \$1,247,436, allotting the Town an additional \$3,511 for street maintenance.

Total budgeted general fund expenses for FY2020 equaled 12,953,466 while actual spent was \$12,479,528. The most notable function to exceed budget was capital projects. The adopted budget for capital projects was \$2,866,270 but expenditures totaled \$4,329,649, exceeding budget by \$1,463,379 (151%). The Town Council accepted donated improvements for the Windsor Castle Park Manor House and outbuildings at its May 2020 Town Council meeting. A resolution was adopted to accept the improvements which are shown as a contributed revenue and a capital expense on the financial statements. While a resolution was adopted to accept the improvements, an appropriation resolution was not made to authorize the expense that was recognized. Also, the Pinewood Heights Redevelopment Project reflected projected capital outlay of \$208,000 for land acquisitions in the working budget file, but the project was presented at public hearing as a total (effectively not separating the capital portion from the operating costs). The Clontz Park Public Boat Ramp was projected to be completed in FY2019, so capital budget funds were not carried forward in FY2020. The Town Council also purchased the old Smithfield Times office building located directly behind Town Hall in March 2020. The Town

## **GENERAL FUND BUDGETARY HIGHLIGHTS: (Continued)**

Council approved the purchase price of \$427,512 but did not adopt an appropriation resolution to add it to the 2020 budget. It should be noted also that CARES Act reimbursable expenses were incurred throughout all departments during the period March 1 through June 30. Those expenses totaled \$434,006 with the largest portion (\$389,404) offsetting salaries for public safety employees.

Highway maintenance funds were budgeted to equal budgeted highway revenues (\$1,243,925) plus interest earned (\$250). In the past few years, the Town has not spent its entire annual street maintenance grant and has recorded a carry forward. In FY2020, the Town spent \$1,153,658 leaving \$90,517 as carry forward for FY2021.

## **PROPRIETARY FUND BUDGETARY HIGHLIGHTS**

The 2020 adopted budget for proprietary funds reflected a combined water and sewer change in net position of \$191,682. The sewer fund budget projected an increase of \$136,855 while water was budgeted with an increase of \$54,827. Actual sewer change in net position for the year was \$216,973 which was \$80,118 over budget. Operating revenues exceeded budget by \$11,843 while operating expenses were \$135,468 lower than budgeted combining for an operating income that was \$147,311 over budget. Sewer maintenance and repairs did exceed budget by \$18,624 due to storm damage costs that were largely reimbursed by insurance proceeds. The Town's insurance provider, Virginia Risk Sharing Association (VRSA), reimbursed the Town \$28,563 for storm related damages. Savings in personnel services including benefits (\$80,717), professional fees (\$10,480), materials and supplies (\$8,007) and pump replacement and conditioning (\$23,997) more than offset the overage in maintenance and repairs. Water change in net position reflected a budget shortfall of \$36,282 for the year, posting a loss instead of a small projected gain. Like sewer, the operating expenses for the water fund fell below budget but only slightly with a savings of \$2,981. Water sales were \$38,083 lower than projected based on a decrease in consumption. Also, the Town paid \$143,479 to Smithfield Foods for its portion of the installation costs of well nests required by the Department of Environmental Quality (DEQ) several years ago. Savings in personnel services and benefits (\$98,553), professional services (\$17,977), water tank maintenance (\$10,000), and materials & supplies (\$8,402) largely offset this unbudgeted expense. Personnel services and related employee benefits reflected savings in both the sewer and water funds as the public works department did not have a public works director in 2020 until an interim was appointed in June. Combined non-operating interest revenues for sewer and water exceeded budget by \$12,245. Contributed capital of \$194,180 fell short of budget by \$113,620 and included pro-rata share fees (\$4,800) and availability fees (\$189,380) as development stalled during the height of the COVID pandemic. The Town received pro-rata share fees of \$2,400 each for water and sewer which represents payments of \$1,200 per lot on 2 lots compared to 51 lots in 2019. Pro-rata share fees are paid at the time that plats are recorded and are indicative of new development. Availability fees are recorded at the same time as connection fees. The town received payment on 25 connections and one upgrade for the year which is a decrease of 41 connections from FY2019.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The Town's capital assets totaled \$44,229,714 for its governmental and business-type activities net of accumulated depreciation for FY2020. This is an increase of \$2,772,545 from FY2019. Of this total, \$3,222,311 originated from an increase in governmental activities offset by a decrease in business-type activities of \$449,766. The largest increase resulted from the acceptance of improvements at Windsor Castle Park (\$2,590,580) for rehab of its outbuildings, caretaker house, and manor house. An additional \$890,810 was spent on the right turn lane at the entrance of the Joseph W Luter Jr Sports Complex. The decrease in value of the business-type assets resulted from depreciation expense that exceeded the cost of improvements for the year. Water Fund capital assets decreased by \$295,055 with new asset costs of \$52,790 and depreciation expense of \$347,845. The Sewer Fund decreased by \$154,711 with additions of \$209,734 offset by depreciation of \$364,445. The Town's investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, art collection and construction in progress. The Town owns roads, streetlights, and other highway infrastructure that has been included in this report.

**CAPITAL ASSETS AND DEBT ADMINISTRATION: (Continued)**

Major capital asset events during the 2020 fiscal year included the following:

- Purchase of two police vehicles and one parks & recreation vehicle
- Purchase of 9 land parcels in Phase IV of the Pinewood Heights Redevelopment Project
- Asset improvements from completion of the Windsor Castle Park Restoration Project
- Final construction costs the public boat ramp
- Substantial completion of a new right turn lane at the public sports complex
- Continued sanitary sewer inspections and manhole rehabs at various locations throughout the Town
- Purchase of 2 bypass pumps for sewer pump stations

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 10,098,637	\$ 9,905,637	\$ 204,481	\$ 204,481	\$ 10,303,118	\$ 10,110,118
Building and system Improvements other than buildings	6,994,433	4,746,577	6,976,416	7,177,716	13,970,849	11,924,293
Machinery & equipment	4,286,305	4,150,556	77,509	84,270	4,363,814	4,234,826
Vehicles	777,007	708,667	2,531,823	2,652,842	3,308,830	3,361,509
Infrastructure	281,413	296,779	59,688	78,810	341,101	375,589
Art collections	6,206,944	5,501,641	4,316,830	4,318,425	10,523,774	9,820,066
Construction in progress	10,537	10,537	-	-	10,537	10,537
Total	<u>1,380,099</u>	<u>1,492,670</u>	<u>27,592</u>	<u>127,561</u>	<u>1,407,691</u>	<u>1,620,231</u>
	\$ 30,035,375	\$ 26,813,064	\$ 14,194,339	\$ 14,644,105	\$ 44,229,714	\$ 41,457,169

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

**Debt Administration.** Outstanding debt for the Town at fiscal year-end 2020 totaled \$7,031,778 of which \$4,989,713 originated from governmental activities and the remaining \$2,042,065 from business-type activities. Total principal paid for all debt during the year was \$754,517. The Town’s ratio of net general bonded debt to total assessed value of taxable property decreased from 0.35% in FY2019 to .31% in FY2020 with an increase in assessed value of \$46,625,879 and a decrease in net bonded debt of \$332,990 due to principal payments. Outstanding debt also includes Net Other Post-Employment Benefits (OPEB) liabilities of \$552,895 required by GASB 75. Group Life Insurance (GFI) and Line of Duty Act benefits (LODA) for the Town’s certified officers are included in the calculations for OPEB liabilities.

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

Town of Smithfield, Virginia  
Outstanding Debt  
For the Year Ended June 30, 2020

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ -	\$ -	\$ 1,642,000	\$ 1,977,000	\$ 1,642,000	\$ 1,977,000
Notes payable	4,071,145	4,404,216	307,624	329,498	4,378,769	4,733,714
Line of Credit	-	-	-	-	-	-
Capital Leases	150,484	215,056	-	-	150,484	215,056
Net OPEB liabilities	552,895	505,052	45,305	39,948	598,200	545,000
Compensated absences	<u>215,189</u>	<u>170,734</u>	<u>47,136</u>	<u>34,045</u>	<u>262,325</u>	<u>204,779</u>
Total	\$ 4,989,713	\$ 5,295,058	\$ 2,042,065	\$ 2,380,491	\$ 7,031,778	\$ 7,675,549

## **ECONOMIC FACTORS**

Fiscal year 2020 ended with the country in crisis amid the COVID-19 pandemic that negatively impacted the economy with unprecedented closures of schools and businesses as the government issued stay-at-home orders. Medical facilities were challenged to meet the needs of the public while being virtually crippled by the sheer number of patients. Projecting 2021 budgets during economic uncertainty was a daunting task for those involved at the federal, state, and local levels. The Town was fortunate to end the fiscal year in a strong position despite lost revenues and unplanned expenses in the last quarter. The town's workforce continued to provide needed services to the public although communication methods were modified with an emphasis on digital technology. Delays were inevitable while navigating COVID restrictions, but the Town was able to complete or make significant progress towards several of its capital projects such as the public boat ramp, the turn lane into the public sports complex, and the Pinewood Heights Redevelopment project. New construction is trending upward although material costs have increased, and delivery times are extended. The unemployment rate in Virginia rose from 2.8% in January to 8.4% in June 2020, but the Town is optimistic that the economy will rebound once the pandemic is controlled.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Smithfield, Virginia's financial condition as of fiscal year ended 2020. Questions concerning this report or requests for additional information should be directed to the Treasurer, Town of Smithfield, 310 Institute Street, Smithfield, VA 23430.

## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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Statement of Net Position  
As of June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,209,655	\$ 4,595,440	\$ 11,805,095
Receivables (net of allowance for uncollectibles):			
Taxes receivable	2,365,356	-	2,365,356
Accounts receivable	278,704	552,568	831,272
Interest receivable	15	-	15
Internal balances	824,561	(824,561)	-
Due from other governmental units	853,096	3,810	856,906
Inventories	37,300	140,903	178,203
Prepaid items	11,469	-	11,469
Restricted assets:			
Cash and cash equivalents	301,576	3,287,963	3,589,539
Net pension asset	603,778	128,262	732,040
Capital assets (net of accumulated depreciation):			
Land	10,098,637	204,481	10,303,118
Buildings and system	6,994,433	6,976,416	13,970,849
Improvements other than buildings	4,286,305	77,509	4,363,814
Machinery and equipment	777,006	2,531,823	3,308,829
Vehicles	281,413	59,688	341,101
Infrastructure	6,206,945	4,316,830	10,523,775
Art collections	10,537	-	10,537
Construction in progress	1,380,099	27,592	1,407,691
Total assets	\$ 42,520,885	\$ 22,078,724	\$ 64,599,609
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	\$ -	\$ 14,481	\$ 14,481
OPEB related items	135,719	12,260	147,979
Pension related items	502,473	100,666	603,139
Total deferred outflows of resources	\$ 638,192	\$ 127,407	\$ 765,599
<b>LIABILITIES</b>			
Accounts payable	\$ 708,754	\$ 126,851	\$ 835,605
Accrued wages & payroll liabilities	97,792	18,757	116,549
Customer deposits	-	87,068	87,068
Accrued interest payable	9,286	11,612	20,898
Due to other governmental units	198,126	-	198,126
Due to taxpayers	52,873	-	52,873
Long-term liabilities:			
Due within one year	465,832	369,195	835,027
Due in more than one year	4,523,881	1,672,870	6,196,751
Total liabilities	\$ 6,056,544	\$ 2,286,353	\$ 8,342,897
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-property taxes	\$ 2,235,098	\$ -	\$ 2,235,098
OPEB related items	87,723	3,883	91,606
Pension related items	159,985	33,987	193,972
Total deferred inflows of resources	\$ 2,482,806	\$ 37,870	\$ 2,520,676
<b>NET POSITION</b>			
Net investment in capital assets	\$ 25,813,746	\$ 12,259,196	\$ 38,072,942
Restricted:			
Pinewood Heights escrow	56,119	-	56,119
SNAP program	2,219	-	2,219
Police department expenditures	37,211	-	37,211
Highway maintenance	276,646	-	276,646
Water debt service and customer deposits	-	870,968	870,968
Sewer compliance	-	2,329,927	2,329,927
Unrestricted	8,433,786	4,421,817	12,855,603
Total net position	\$ 34,619,727	\$ 19,881,908	\$ 54,501,635

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

TOWN OF SMITHFIELD, VIRGINIA

Statement of Activities  
 For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 1,324,043	\$ 13,320	\$ -	\$ -
Public safety	2,687,945	43,739	657,982	-
Public works	2,648,183	-	1,249,972	807,201
Parks, recreation, and cultural	1,931,278	-	4,500	2,895,076
Community development	1,458,373	91,614	582,571	-
Interest on long-term debt	86,375	-	-	-
Total governmental activities	\$ 10,136,197	\$ 148,673	\$ 2,495,025	\$ 3,702,277
Business-type activities:				
Water	\$ 1,878,610	\$ 1,722,097	\$ -	\$ 78,060
Sewer	1,064,151	1,125,190	-	116,120
Total business-type activities	\$ 2,942,761	\$ 2,847,287	\$ -	\$ 194,180
Total primary government	\$ 13,078,958	\$ 2,995,960	\$ 2,495,025	\$ 3,896,457

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Business licenses

Utility license taxes

Restaurant food taxes

Cigarette taxes

Motor vehicle taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,310,723)	\$ -	\$ (1,310,723)
(1,986,224)	-	(1,986,224)
(591,010)	-	(591,010)
968,298	-	968,298
(784,188)	-	(784,188)
(86,375)	-	(86,375)
<u>\$ (3,790,222)</u>	<u>\$ -</u>	<u>\$ (3,790,222)</u>
\$ -	\$ (78,453)	\$ (78,453)
-	177,159	177,159
<u>\$ -</u>	<u>\$ 98,706</u>	<u>\$ 98,706</u>
<u>\$ (3,790,222)</u>	<u>\$ 98,706</u>	<u>\$ (3,691,516)</u>
\$ 3,129,739	\$ -	\$ 3,129,739
414,610	-	414,610
362,256	-	362,256
201,256	-	201,256
1,802,305	-	1,802,305
228,865	-	228,865
218,872	-	218,872
348,102	-	348,102
404,317	41,245	445,562
100,136	40,740	140,876
445,037	-	445,037
<u>\$ 7,655,495</u>	<u>\$ 81,985</u>	<u>\$ 7,737,480</u>
\$ 3,865,273	\$ 180,691	\$ 4,045,964
30,754,454	19,701,217	50,455,671
<u>\$ 34,619,727</u>	<u>\$ 19,881,908</u>	<u>\$ 54,501,635</u>

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## **Fund Financial Statements**

Balance Sheet  
 Governmental Funds  
 As of June 30, 2020

	General	Highway Maintenance	Capital Projects	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,209,655	\$ -	\$ -	\$ 7,209,655
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,365,356	-	-	2,365,356
Accounts receivable	278,704	-	-	278,704
Interest receivable	15	-	-	15
Due from other funds	862,612	511,310	8,151	1,382,073
Due from other governmental units	853,096	-	-	853,096
Inventories	37,300	-	-	37,300
Prepaid items	11,469	-	-	11,469
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	95,549	206,027	-	301,576
Total assets	<u>\$ 11,713,756</u>	<u>\$ 717,337</u>	<u>\$ 8,151</u>	<u>\$ 12,439,244</u>
<b>LIABILITIES</b>				
Accounts payable & other accrued expenditures	\$ 313,016	\$ 395,738	\$ -	\$ 708,754
Accrued wages & payroll liabilities	90,846	6,946	-	97,792
Due to other funds	519,462	38,007	43	557,512
Due to other governmental units	198,126	-	-	198,126
Refunds to taxpayers	52,873	-	-	52,873
Total liabilities	<u>\$ 1,174,323</u>	<u>\$ 440,691</u>	<u>\$ 43</u>	<u>\$ 1,615,057</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	\$ 2,380,748	\$ -	\$ -	\$ 2,380,748
<b>FUND BALANCE</b>				
Nonspendable:				
Prepaid items	\$ 11,469	\$ -	\$ -	\$ 11,469
Inventory	37,300	-	-	37,300
Total nonspendable fund balance	<u>\$ 48,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,769</u>
Restricted:				
Pinewood Heights escrow	\$ 56,119	\$ -	\$ -	\$ 56,119
SNAP program	2,219	-	-	2,219
Highway maintenance	-	276,646	-	276,646
Police department expenditures	37,211	-	-	37,211
Total restricted fund balance	<u>\$ 95,549</u>	<u>\$ 276,646</u>	<u>\$ -</u>	<u>\$ 372,195</u>
Committed:				
Special projects	\$ 958,402	\$ -	\$ -	\$ 958,402
Windsor Castle	12,537	-	-	12,537
Museum	216,771	-	-	216,771
Total committed fund balance	<u>\$ 1,187,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187,710</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>\$ 6,826,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,826,657</u>
Total fund balances	<u>\$ 8,158,685</u>	<u>\$ 276,646</u>	<u>\$ 8,108</u>	<u>\$ 8,443,439</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,713,756</u>	<u>\$ 717,337</u>	<u>\$ 8,151</u>	<u>\$ 12,439,244</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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,443,439
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When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole.	30,035,375
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

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

Deferred outflows - pension related	\$	502,473	
Deferred outflows - OPEB related		135,719	
Deferred inflows - pension related		(159,985)	
Deferred inflows - OPEB related		(87,723)	390,484

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	603,778
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue.

Unavailable revenue related to property taxes	145,650
-----------------------------------------------	---------

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

(9,286)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Bonds, notes, capital leases and line of credit	\$	(4,221,629)	
Compensated absences		(215,189)	
Net OPEB liabilities		(552,895)	(4,989,713)

Net position of governmental activities	\$	<u>34,619,727</u>
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The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2020

	General	Highway Maintenance	Capital Projects	Total
<b>REVENUES</b>				
General property taxes	\$ 3,031,047	\$ -	\$ -	\$ 3,031,047
Other local taxes	3,576,266	-	-	3,576,266
Permits, privilege fees, and regulatory licenses	104,934	-	-	104,934
Fines and forfeitures	43,739	-	-	43,739
Revenue from the use of money and property	404,126	191	-	404,317
Miscellaneous	2,995,212	-	-	2,995,212
Intergovernmental:				
Commonwealth	1,422,353	1,247,245	-	2,669,598
Federal	1,077,665	-	-	1,077,665
<b>Total revenues</b>	<b>\$ 12,655,342</b>	<b>\$ 1,247,436</b>	<b>\$ -</b>	<b>\$ 13,902,778</b>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,256,614	\$ -	\$ -	\$ 1,256,614
Public safety	2,480,146	-	-	2,480,146
Public works	1,040,070	1,153,658	-	2,193,728
Parks, recreation, and cultural	1,429,137	-	-	1,429,137
Community development	1,458,341	-	-	1,458,341
Capital projects	4,329,649	-	-	4,329,649
Debt service:				
Principal retirement	397,643	-	-	397,643
Interest and other fiscal charges	87,928	-	-	87,928
<b>Total expenditures</b>	<b>\$ 12,479,528</b>	<b>\$ 1,153,658</b>	<b>\$ -</b>	<b>\$ 13,633,186</b>
Excess (deficiency) of revenues over (under) expenditures	\$ 175,814	\$ 93,778	\$ -	\$ 269,592
Net change in fund balances	\$ 175,814	\$ 93,778	\$ -	\$ 269,592
Fund balances - beginning	7,982,871	182,868	8,108	8,173,847
Fund balances - ending	<u>\$ 8,158,685</u>	<u>\$ 276,646</u>	<u>\$ 8,108</u>	<u>\$ 8,443,439</u>

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, 2020

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

Net change in fund balances - total governmental funds	\$	269,592
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$ 4,357,492	
Depreciation expense	<u>(1,135,181)</u>	3,222,311

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

Property tax revenue	98,692
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Principal retired on general obligation bonds, capital leases and notes	397,643
-------------------------------------------------------------------------	---------

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	\$ (44,455)	
Change in net pension asset	(461,160)	
Change in net OPEB liabilities	(47,843)	
Change in deferred inflows related to the net OPEB liabilities	(1,629)	
Change in deferred inflows related to the net pension asset	46,749	
Change in deferred outflows related to net pension asset	338,487	
Change in deferred outflows related to net OPEB liabilities	45,333	
Change in accrued interest payable	<u>1,553</u>	<u>(122,965)</u>

Change in net position of governmental activities	\$	<u><u>3,865,273</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position  
 Proprietary Funds  
 As of June 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,547,424	\$ 2,048,016	\$ 4,595,440
Receivables, net of allowances for uncollectibles accounts	339,486	213,082	552,568
Due from other funds	30	239,096	239,126
Due from other governmental units	-	3,810	3,810
Inventory	112,766	28,137	140,903
Total current assets	\$ 2,999,706	\$ 2,532,141	\$ 5,531,847
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 958,036	\$ 2,329,927	\$ 3,287,963
Total restricted assets	\$ 958,036	\$ 2,329,927	\$ 3,287,963
Net pension asset	\$ 78,936	\$ 49,326	\$ 128,262
Capital assets:			
Land	\$ 194,391	\$ 10,090	\$ 204,481
Improvements other than buildings	115,140	20,087	135,227
Vehicles	132,582	295,154	427,736
Buildings	7,394,018	4,211,631	11,605,649
Machinery and equipment	2,073,326	3,965,289	6,038,615
Infrastructure	3,519,710	8,451,332	11,971,042
Construction in progress	19,639	7,953	27,592
Accumulated depreciation	(5,037,705)	(11,178,298)	(16,216,003)
Total capital assets	\$ 8,411,101	\$ 5,783,238	\$ 14,194,339
Total noncurrent assets	\$ 9,448,073	\$ 8,162,491	\$ 17,610,564
Total assets	\$ 12,447,779	\$ 10,694,632	\$ 23,142,411
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	\$ 14,481	\$ -	\$ 14,481
OPEB related items	7,545	4,715	12,260
Pension related items	59,616	41,050	100,666
Total deferred outflows of resources	\$ 81,642	\$ 45,765	\$ 127,407
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 83,810	\$ 43,041	\$ 126,851
Accrued payroll	11,400	7,357	18,757
Customer deposits	87,068	-	87,068
Accrued interest payable	9,983	1,629	11,612
Due to other funds	754,798	308,889	1,063,687
Compensated absences - current portion	6,411	4,448	10,859
Note payable - current portion	22,336	-	22,336
Bonds payable - current portion	233,080	102,920	336,000
Total current liabilities	\$ 1,208,886	\$ 468,284	\$ 1,677,170
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,148,300	\$ 157,700	\$ 1,306,000
Note payable - net of current portion	285,288	-	285,288
Net OPEB liability	27,882	17,423	45,305
Compensated absences - net of current portion	23,751	12,526	36,277
Total noncurrent liabilities	\$ 1,485,221	\$ 187,649	\$ 1,672,870
Total liabilities	\$ 2,694,107	\$ 655,933	\$ 3,350,040
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB related items	\$ 2,389	\$ 1,494	\$ 3,883
Pension related items	20,916	13,071	33,987
Total deferred inflows of resources	\$ 23,305	\$ 14,565	\$ 37,870
<b>NET POSITION</b>			
Net investment in capital assets	\$ 6,736,578	\$ 5,522,618	\$ 12,259,196
Restricted	870,968	2,329,927	3,200,895
Unrestricted	2,204,463	2,217,354	4,421,817
Total net position	\$ 9,812,009	\$ 10,069,899	\$ 19,881,908
Total liabilities, deferred inflows of resources and net position	\$ 12,529,421	\$ 10,740,397	\$ 23,269,818

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, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services and connection fees	\$ 1,466,821	\$ 1,125,190	\$ 2,592,011
Charges for services-debt service	255,276	-	255,276
Miscellaneous	11,793	28,947	40,740
Total operating revenues	\$ 1,733,890	\$ 1,154,137	\$ 2,888,027
<b>OPERATING EXPENSES</b>			
Personnel services	\$ 443,921	\$ 275,721	\$ 719,642
Employee benefits	91,051	72,430	163,481
Contractual	38,208	33,978	72,186
Maintenance, repairs, and truck operations	103,493	189,353	292,846
HRSD	310,526	-	310,526
Utilities	128,743	49,371	178,114
Supplies	169,459	41,993	211,452
Other charges	211,442	32,840	244,282
Depreciation	347,846	364,445	712,291
Total operating expenses	\$ 1,844,689	\$ 1,060,131	\$ 2,904,820
Operating income (loss)	\$ (110,799)	\$ 94,006	\$ (16,793)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	\$ 30,378	\$ 10,867	\$ 41,245
Interest expense and other fiscal charges	(33,921)	(4,020)	(37,941)
Total nonoperating revenues (expenses)	\$ (3,543)	\$ 6,847	\$ 3,304
Income (loss) before contributions	\$ (114,342)	\$ 100,853	\$ (13,489)
Contributed capital - availability fees	\$ 75,660	\$ 113,720	\$ 189,380
Contributed capital - development impact fees	2,400	2,400	4,800
Total contributed capital	\$ 78,060	\$ 116,120	\$ 194,180
Change in net position	\$ (36,282)	\$ 216,973	\$ 180,691
Total net position - beginning	9,848,291	9,852,926	19,701,217
Total net position - ending	\$ 9,812,009	\$ 10,069,899	\$ 19,881,908

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

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,774,158	\$ 1,168,840	\$ 2,942,998
Payments to suppliers	(895,621)	(602,097)	(1,497,718)
Payments to and on behalf of employees	(506,998)	(314,398)	(821,396)
Net cash provided by (used for) operating activities	\$ 371,539	\$ 252,345	\$ 623,884
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of property, plant and equipment	\$ (52,790)	\$ (209,735)	\$ (262,525)
Capital contributions	78,060	116,120	194,180
Retirement of long-term indebtedness	(254,784)	(102,090)	(356,874)
Interest expense	(30,740)	(4,658)	(35,398)
Net cash provided by (used for) capital and related financing activities	\$ (260,254)	\$ (200,363)	\$ (460,617)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	\$ 30,378	\$ 10,867	\$ 41,245
Net cash provided by (used for) investing activities	\$ 30,378	\$ 10,867	\$ 41,245
Net increase (decrease) in cash and cash equivalents	\$ 141,663	\$ 62,849	\$ 204,512
Cash and cash equivalents - beginning, including restricted cash and cash equivalents of \$935,564 and \$2,282,313	3,363,797	4,315,094	7,678,891
Cash and cash equivalents - ending, including restricted cash and cash equivalents of \$958,036 and \$2,329,927	\$ 3,505,460	\$ 4,377,943	\$ 7,883,403
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (110,799)	\$ 94,006	\$ (16,793)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	347,846	364,445	712,291
(Increase) decrease in accounts receivable	46,063	17,238	63,301
(Increase) decrease in due from other funds	-	(92,584)	(92,584)
(Increase) decrease in due from other governmental units	-	(2,535)	(2,535)
(Increase) decrease in inventory	4,671	(2,578)	2,093
(Increase) decrease in prepaid expenses	7,783	3,956	11,739
Increase (decrease) in compensated absences	8,326	4,765	13,091
Increase (decrease) in accrued payroll	2,856	2,360	5,216
Increase (decrease) in due to other funds	41,695	(79,335)	(37,640)
Increase (decrease) in accounts payable	12,101	(84,021)	(71,920)
(Increase) decrease in net pension asset	62,898	59,517	122,415
Increase (decrease) in net OPEB liability	3,297	2,060	5,357
(Increase) decrease in deferred outflows of resources - OPEB related	(4,380)	(2,208)	(6,588)
Increase (decrease) in deferred inflows of resources - OPEB related	(630)	(393)	(1,023)
(Increase) decrease in deferred outflows of resources - pension related	(37,775)	(24,290)	(62,065)
Increase (decrease) in deferred inflows of resources - pension related	(6,618)	(8,058)	(14,676)
Increase (decrease) in customer deposits	(5,795)	-	(5,795)
Total adjustments	\$ 482,338	\$ 158,339	\$ 640,677
Net cash provided by (used for) operating activities	\$ 371,539	\$ 252,345	\$ 623,884

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

## TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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#### 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 public safety, recreational activities, 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).

## TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

1. *Governmental Funds:*

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

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

2. *Proprietary Funds:*

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

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

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

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

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

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

**D. Budgets and Budgetary Accounting**

The Town Council annually adopts budgets for the general and water and sewer funds.

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

1. On or before May 1 of each year, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public notice regarding the proposed budget is circulated in accordance with Virginia statute, and at least one public hearing is conducted at the Smithfield Center to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriation resolution. Town Council may approve supplemental appropriations.
4. The legal level of control is at the function level within an individual fund. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions between departments, from the contingency line item, or that alter the total expenditures of any fund must be approved by Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Highway Maintenance Fund, Water Fund and Sewer Fund.
6. The budgets for the General Fund, Highway Maintenance Fund, Water Fund and Sewer Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. A review of the presented budget comparisons herein will disclose how accurately Town Council was actually able to forecast the revenues and expenditures of the Town.
8. Appropriations lapse on June 30, unless carried forward by a resolution of Town Council.
9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2020.

**E. Expenditures and Appropriations**

Expenditures exceeded appropriations for the capital projects function and the highway maintenance fund for the year ended June 30, 2020.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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F. Cash and Cash Equivalents

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

G. Investments

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

H. 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.

I. 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 \$55,957 at June 30, 2020. The allowance for uncollectible billings in the water and sewer funds are \$100,106 and \$64,854, respectively.

J. Capital Assets

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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J. Capital Assets: (Continued)

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

K. 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.

L. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

M. 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant estimates, which are elements of these financial statements, include allowance for doubtful accounts receivable and useful lives for tangible property. Actual results could differ from those estimates.

N. 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 2020 was \$237,396.

## TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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#### N. Intergovernmental Agreements: (Continued)

##### *Erosion and Sediment Control Plan:*

The Town has a memorandum of agreement with Isle of Wight County to develop an erosion and sediment control plan for each zoning permit that it issues. There were no expenditures related to this agreement in fiscal year 2020.

##### *Fats, Oils, and Grease Control:*

The Town, along with several other localities, has entered into a Memorandum of agreement with Hampton Roads Sanitation District related to control of the amounts of fats, oils, and grease draining into sanitary sewers from food service establishments. The total amount the Town expended during fiscal year 2020 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 2020.

##### *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 2020 was \$204,440.

#### O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension asset and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is

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

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**O. Deferred Outflows/Inflows of Resources: (Continued)**

deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**P. 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 net fiduciary 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.

**Q. 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' net fiduciary 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.

**R. Net Position**

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.
- Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

## TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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

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#### S. Fund Equity

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance / resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

### NOTE 2—DEPOSITS AND INVESTMENTS:

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#### Deposits

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

## TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 2—DEPOSITS AND INVESTMENTS:

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#### Investments

As of June 30, 2020, the Town had the following investments:

#### Town's Rated Debt Investments

<u>Rated Debt Investments Value</u>	<u>Standard &amp; Poor's Rating</u>
	<u>AA+f/s1</u>
VACO/VML Virginia Investment Pool	\$ 552,621
Total	\$ 552,621

#### 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 withdrawals per month.

#### Investment Credit Policy

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

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

## TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 2—DEPOSITS AND INVESTMENTS:

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

<u>Investment Type</u>	<u>Investment Maturity*</u>	
	<u>Fair Value</u>	<u>Less than 1</u>
VACO/VML Virginia Investment Pool	\$ <u>552,621</u>	\$ <u>552,621</u>
Total investments	\$ <u><u>552,621</u></u>	\$ <u><u>552,621</u></u>

\* 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, 2020 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)**

Restricted and Designated Cash

Restricted cash and cash equivalents of the Town’s governmental funds and activities at June 30, 2020, are detailed as follows:

	<u>General</u>	<u>Highway Maintenance</u>	<u>Business-type Activities</u>	
			<u>Water</u>	<u>Sewer</u>
Pinewood Heights escrow	\$ 56,119	\$ -	\$ -	\$ -
Police Department	37,211	-	-	-
SNAP program	2,219	-	-	-
Highway maintenance	-	206,027	-	-
Debt service	-	-	859,880	-
Compliance escrow	-	-	-	2,329,927
Customer deposits	-	-	98,156	-
Total	<u>\$ 95,549</u>	<u>\$ 206,027</u>	<u>\$ 958,036</u>	<u>\$ 2,329,927</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.

	<u>General</u>	<u>Business-type Activities</u>		<u>Total Primary Government</u>
		<u>Water</u>	<u>Sewer</u>	
Special projects	\$ 958,402	\$ -	\$ -	\$ 958,402
Windsor Castle	12,537	-	-	12,537
Museum	216,771	-	-	216,771
Escrow	217,861	808,931	1,594,610	2,621,402
Total	<u>\$ 1,405,571</u>	<u>\$ 808,931</u>	<u>\$ 1,594,610</u>	<u>\$ 3,809,112</u>

**NOTE 3—RECEIVABLES:**

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 2,421,313	\$ -
Consumer utility taxes	20,543	-
Consumption taxes	4,342	-
Interest	15	-
Transient occupancy tax	26,825	-
Meals tax	226,994	-
Other	-	-
Water and sewer billings	-	717,528
Total	\$ 2,700,032	\$ 717,528
Allowance for uncollectibles	<u>(55,957)</u>	<u>(164,960)</u>
Net receivables	<u>\$ 2,644,075</u>	<u>\$ 552,568</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 4—DUE FROM/TO OTHER GOVERNMENTS:**

Details of amounts due from/to other governments as of June 30, 2020 are as follows:

Governmental Activities:	<u>Due From</u>	<u>Due To</u>
Commonwealth:		
Communications Tax	\$ 32,193	\$ -
Urban Funds	22,484	-
Other	4,689	29,110
Due from/to Commonwealth	\$ 59,366	\$ 29,110
Isle of Wight County:		
Local Sales Tax	\$ 77,771	\$ -
Fines	1,975	-
Coronavirus Relief Fund (CARES Act)	434,006	-
Other	81,263	169,016
Due from/to Isle of Wight County	\$ 595,015	\$ 169,016
Due from Federal Government:		
CDBG	\$ 198,715	\$ -
Due from Federal Government	\$ 198,715	\$ -
Total	\$ 853,096	\$ 198,126
Business-type Activities:		
Isle of Wight County:	\$ 3,810	\$ -

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

**NOTE 5—INTERFUND RECEIVABLES AND PAYABLES:**

Interfund receivable and payable balances are considered short-term in nature. All balances result from the time-lag between the dates that reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. At June 30, 2020, the balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
General Fund	\$ 862,612	\$ 519,462
Highway Fund	511,310	38,007
Capital Projects Fund	8,151	43
Enterprise Funds:		
Water Fund	30	754,798
Sewer Fund	239,096	308,889
Total	\$ 1,621,199	\$ 1,621,199

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of changes in capital assets:

Governmental Activities:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 9,905,637	\$ 193,000	\$ -	\$ 10,098,637
Construction in progress	1,492,670	981,253	1,093,824	1,380,099
Total capital assets not being depreciated	<u>\$ 11,398,307</u>	<u>\$ 1,174,253</u>	<u>\$ 1,093,824</u>	<u>\$ 11,478,736</u>
Capital assets being depreciated:				
Art collections	\$ 118,466	\$ -	\$ -	\$ 118,466
Buildings and system	7,161,934	2,542,983	-	9,704,917
Improvements other than buildings	5,223,860	438,260	-	5,662,120
Machinery and equipment	1,804,714	176,005	-	1,980,719
Vehicles	1,609,525	99,631	21,021	1,688,135
Infrastructure	9,957,946	1,020,184	-	10,978,130
Total capital assets being depreciated	<u>\$ 25,876,445</u>	<u>\$ 4,277,063</u>	<u>\$ 21,021</u>	<u>\$ 30,132,487</u>
Accumulated depreciation:				
Art collections	\$ (107,929)	\$ -	\$ -	\$ (107,929)
Buildings and system	(2,415,357)	(295,127)	-	(2,710,484)
Improvements other than buildings	(1,073,304)	(302,511)	-	(1,375,815)
Machinery and equipment	(1,096,047)	(107,666)	-	(1,203,713)
Vehicles	(1,312,746)	(114,997)	(21,021)	(1,406,722)
Infrastructure	(4,456,305)	(314,880)	-	(4,771,185)
Total accumulated depreciation	<u>\$ (10,461,688)</u>	<u>\$ (1,135,181)</u>	<u>\$ (21,021)</u>	<u>\$ (11,575,848)</u>
Net capital assets being depreciated	<u>\$ 15,414,757</u>	<u>\$ 3,141,882</u>	<u>\$ -</u>	<u>\$ 18,556,639</u>
Capital assets, net	<u>\$ 26,813,064</u>	<u>\$ 4,316,135</u>	<u>\$ 1,093,824</u>	<u>\$ 30,035,375</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 204,481	\$ -	\$ -	\$ 204,481
Construction in progress	127,561	12,243	112,212	27,592
Total capital assets not being depreciated	<u>\$ 332,042</u>	<u>\$ 12,243</u>	<u>\$ 112,212</u>	<u>\$ 232,073</u>
Capital assets being depreciated:				
Buildings and system	\$ 11,605,650	\$ -	\$ -	\$ 11,605,650
Machinery and equipment	5,837,802	200,813	-	6,038,615
Infrastructure	11,809,360	161,681	-	11,971,041
Improvements other than buildings	135,227	-	-	135,227
Vehicles	427,736	-	-	427,736
Total capital assets being depreciated	<u>\$ 29,815,775</u>	<u>\$ 362,494</u>	<u>\$ -</u>	<u>\$ 30,178,269</u>
Accumulated depreciation:				
Buildings and system	\$ (4,427,934)	\$ (201,300)	\$ -	\$ (4,629,234)
Machinery and equipment	(3,184,960)	(321,832)	-	(3,506,792)
Infrastructure	(7,490,935)	(163,276)	-	(7,654,211)
Improvements other than buildings	(50,957)	(6,761)	-	(57,718)
Vehicles	(348,926)	(19,122)	-	(368,048)
Total accumulated depreciation	<u>\$ (15,503,712)</u>	<u>\$ (712,291)</u>	<u>\$ -</u>	<u>\$ (16,216,003)</u>
Net capital assets being depreciated	<u>\$ 14,312,063</u>	<u>\$ (349,797)</u>	<u>\$ -</u>	<u>\$ 13,962,266</u>
Capital assets, net	<u>\$ 14,644,105</u>	<u>\$ (337,554)</u>	<u>\$ 112,212</u>	<u>\$ 14,194,339</u>

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

Governmental activities:

General government administration	\$ 38,716
Public safety	137,755
Public works (Highways and streets)	497,839
Parks, recreation and cultural	460,871
Total governmental activities	<u>\$ 1,135,181</u>
Business-type activities	<u>\$ 712,291</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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NOTE 6—CAPITAL ASSETS: (CONTINUED)

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Contract Commitments

Contract commitments of the Town at June 30, 2020 related to capital assets are as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Project		
Urban Fund Projects:		
US 258 Right Turn Lane at Sports Complex	\$ 982,902	\$ 110,000
Intersection Improvement-Benns Church Blvd/258/Rt. 10	195,834	902,843
MUNIS Conversion	201,363	135,720
Sanitary Sewer Inspections-TV the Lines	2,848	58,215
Arc Flash Study	1,414	36,121
Mom Plan Review	560	49,410
Manhole Rehabilitation-2020 contract	3,131	59,870
RO Stormwater Improvements	19,639	12,500
Total	<u>\$ 1,407,691</u>	<u>\$ 1,364,679</u>

NOTE 7—LINE OF CREDIT:

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In fiscal year 2013, the Town renewed an agreement with TowneBank for a line of credit of \$500,000 in order to assist the Town in financing the purchase of properties under the Pinewood Heights Project. Borrowings bear interest at LIBOR or Wall Street Journal Prime Rate (depending on which is most advantageous to the Town at the time of borrowing) but at no time will the interest rate be lower than 3.25%. At June 30, 2020, the interest rate being charged to the Town was 3.25% and there was no balance outstanding. The line of credit was renewed, effective November 22, 2020.

On July 31, 2012, the Town entered into an agreement with Farmers Bank for a line of credit of \$1,000,000 in order to assist the Town in financing capital projects. The variable interest rate is calculated based on the Wall Street Journal Prime Rate. At June 30, 2020, the interest rate being charged to the Town was 3.25% and there was no balance outstanding. The unsecured line was renewed through July 31, 2021.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS:**

Governmental activities obligations

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

	<u>Balance July 1, 2019</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2020</u>
Direct borrowings and direct placements:				
Notes payable	\$ 4,404,216	\$ -	\$ (333,071)	\$ 4,071,145
Other liabilities:				
Capital leases	215,056	-	(64,572)	150,484
Net OPEB liabilities	505,052	223,990	(176,147)	552,895
Compensated absences	170,734	44,455	-	215,189
Totals	<u>\$ 5,295,058</u>	<u>\$ 268,445</u>	<u>\$ (573,790)</u>	<u>\$ 4,989,713</u>

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

Year Ending June 30,	Direct Borrowings and Direct Placements			
	Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2021	\$ 340,616	\$ 75,992	\$ 52,748	\$ 2,472
2022	347,814	68,794	49,839	1,614
2023	345,099	61,451	47,897	791
2024	300,265	55,099	-	-
2025	306,020	49,374	-	-
2026-2030	1,620,360	156,459	-	-
2031-2033	810,971	18,739	-	-
Total	<u>\$ 4,071,145</u>	<u>\$ 485,908</u>	<u>\$ 150,484</u>	<u>\$ 4,877</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

Governmental activities obligations: (Continued)

Details of Long-term Obligations

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements:		
Notes Payable:		
\$434,300 note payable dated April 24, 2015. Payments due annually with the final installment due 2023, bearing interest at 3.05%.	\$ 166,190	\$ 56,974
\$5,000,000 note payable (\$4,635,000 - General Fund and \$365,000 Water Fund) dated October 2017. Payments due monthly with final installment due October 2032 (180 installments), bearing interest at 1.90%.	<u>3,904,955</u>	<u>283,642</u>
Total Notes Payable	<u>\$ 4,071,145</u>	<u>\$ 340,616</u>
Capital Leases:		
\$245,000 capital lease dated July 2018 for the purchase of E-911 radio equipment, payable annually with final installment due July 2022, bearing interest at 1.65%.	\$ 146,766	\$ 49,030
\$21,180 capital lease dated October 2017 for the purchase of a specialty mower, payable monthly with final installment due December 2020 (36 installments), bearing interest at 4.28%.	<u>3,718</u>	<u>3,718</u>
Total Capital Leases	<u>\$ 150,484</u>	<u>\$ 52,748</u>
Other Liabilities:		
Compensated Absences (Note 9)	<u>\$ 215,189</u>	<u>\$ 72,468</u>
Net OPEB liabilities (Note 11)	<u>\$ 552,895</u>	<u>\$ -</u>
Total governmental activities obligations	<u><u>\$ 4,989,713</u></u>	<u><u>\$ 465,832</u></u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

Business-type obligations

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

	<u>Balance July 1, 2019</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2020</u>
Direct borrowings and direct placements:				
General obligation bonds payable	\$ 1,977,000	\$ -	\$ (335,000)	\$ 1,642,000
Note payable	329,498	-	(21,874)	307,624
Other liabilities:				
Net OPEB liabilities	39,948	15,794	(10,437)	45,305
Compensated absences	34,045	13,091	-	47,136
Totals	<u>\$ 2,380,491</u>	<u>\$ 28,885</u>	<u>\$ (367,311)</u>	<u>\$ 2,042,065</u>

In March 2015, the Town issued Series 2015A and Series 2015B General Obligation Refunding Bonds in the amount of \$918,000 and \$2,182,000, respectively. The bonds were issued to current and advance refund the Series 2004 and Series 2005 bonds realizing a net present value savings of \$101,723 and \$254,338, respectively. The bonds are payable annually with interest payable semi-annually at a rate of 1.50%. Both Series 2015A and 2015B mature August 2022.

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

<u>Year Ending June 30,</u>	<u>Direct Borrowings and Direct Placements</u>			
	<u>General Obligation Bonds</u>		<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 336,000	\$ 23,943	\$ 22,336	\$ 5,648
2022	347,000	18,498	22,765	5,220
2023	959,000	7,866	23,201	4,784
2024	-	-	23,646	4,339
2025	-	-	24,099	3,886
2026-2030	-	-	127,601	12,321
2031-2032	-	-	63,976	1,476
Total	<u>\$ 1,642,000</u>	<u>\$ 50,307</u>	<u>\$ 307,624</u>	<u>\$ 37,674</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

Business-type obligations: (Continued)

Details of Long-term Obligations

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements		
\$918,000 Series 2015A General Obligation Refunding Bond dated March 12, 2015 with principal payable annually, bearing interest at 1.50% payable semi-annually maturing on August 1, 2022.	\$ 314,000	\$ 124,000
\$2,182,000 Series 2015B General Obligation Refunding Bond dated March 12, 2015 with principal payable annually, bearing interest at 1.65% payable semi-annually and maturing on August 1, 2022.	<u>1,328,000</u>	<u>212,000</u>
Total Bonds Payable	<u>\$ 1,642,000</u>	<u>\$ 336,000</u>
\$5,000,000 note payable (\$4,635,000 - General Fund and \$365,000 Water Fund) dated October 2017. Payments due monthly with final installment due October 2032 (180 installments), bearing interest at 1.90%.	<u>\$ 307,624</u>	<u>\$ 22,336</u>
Other liabilities		
Compensated Absences (Note 9)	<u>\$ 47,136</u>	<u>\$ 10,859</u>
Net OPEB liabilities (Note 11)	<u>\$ 45,305</u>	<u>\$ -</u>
Total business-type obligations	<u><u>\$ 2,042,065</u></u>	<u><u>\$ 369,195</u></u>

**NOTE 9—COMPENSATED ABSENCES:**

Annual Leave Accrual

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

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, 2020, accumulated vacation and sick leave for the governmental funds amounted to \$215,189 of which \$72,468 is short-term.

At June 30, 2020, accumulated vacation and sick leave for the proprietary funds amounted to \$47,136 of which \$10,859 is short-term.

## TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 10—PENSION PLAN:

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#### *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 hired 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.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of 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 hired 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.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 10—PENSION PLAN: (CONTINUED)**

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***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.

***Employees Covered by Benefit Terms***

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>
Inactive members or their beneficiaries currently receiving benefits	25
Inactive members:	
Vested inactive members	12
Non-vested inactive members	19
Inactive members active elsewhere in VRS	36
Total inactive members	67
Active members	60
Total covered employees	152

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 10—PENSION PLAN: (CONTINUED)**

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***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, 2020 was 5.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$144,134 and \$148,085 for the years ended June 30, 2020 and June 30, 2019, respectively.

***Net Pension Asset***

The net pension liability/asset (NPL) is calculated separately for each employer and represents that particular employer’s total pension asset/liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Town’s net pension assets were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension assets were determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

***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, 2018, 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, 2019.

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 10—PENSION PLAN: (CONTINUED)**

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***Actuarial Assumptions - General Employees (Continued)***

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Hazardous Duty:

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (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)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

*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, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

*Discount Rate (Continued)*

30, 2019, the rate contributed by the employer for the Town’s Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 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 Asset*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 9,229,218	\$ 10,544,833	\$ (1,315,615)
Changes for the year:			
Service cost	\$ 341,033	\$ -	\$ 341,033
Interest	634,287	-	634,287
Differences between expected and actual experience	272,262	-	272,262
Changes of assumptions	343,613	-	343,613
Contributions - employer	-	148,084	(148,084)
Contributions - employee	-	158,765	(158,765)
Net investment income	-	708,065	(708,065)
Benefit payments, including refunds	(335,956)	(335,956)	-
Administrative expenses	-	(6,847)	6,847
Other changes	-	(448)	448
Net changes	\$ 1,255,239	\$ 671,663	\$ 583,576
Balances at June 30, 2019	\$ 10,484,457	\$ 11,216,496	\$ (732,039)

*Sensitivity of the Net Pension Asset to Changes in the Discount Rate*

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town Net Pension Liability (Asset)	\$ 825,956	\$ (732,039)	\$ (1,966,429)

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (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, 2020, the Town recognized pension expense of \$265,730. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 217,963	\$ 86,140
Change in assumptions	241,042	9,842
Net difference between projected and actual earnings on pension plan investments	-	97,990
Employer contributions subsequent to the measurement date	144,134	-
Total	\$ 603,139	\$ 193,972

\$144,134 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. 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
2021	\$ 143,852
2022	53,731
2023	61,693
2024	5,761
2025	-
Thereafter	-

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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.

## TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

##### ***Plan Description: (Continued)***

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

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

##### ***Eligible Employees***

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

##### ***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

##### ***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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$16,960 and \$15,353 for the years ended June 30, 2020 and June 30, 2019, respectively.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (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***

At June 30, 2020, the Town reported a liability of \$258,573 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion for the Town was .01589% as compared to .01501% at June 30, 2018.

For the year ended June 30, 2020, the Town recognized GLI OPEB expense of \$9,136. 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.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,197	\$ 3,355
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,311
Change in assumptions	16,325	7,797
Changes in proportion	19,493	5,699
Employer contributions subsequent to the measurement date	<u>16,960</u>	<u>-</u>
Total	<u>\$ 69,975</u>	<u>\$ 22,162</u>

\$16,960 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2021	\$ 4,075
2022	4,076
2023	6,325
2024	7,143
2025	7,028
Thereafter	2,206

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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**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, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

***NET GLI OPEB Liability***

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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, 2020 (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)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

**Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town’s proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 339,693	\$ 258,573	\$ 192,787

***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**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 the LODA Program OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

All paid employees and volunteers in hazardous duty positions in Virginia localities and 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.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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

***Benefit Amounts***

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

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the LODA.

***Contributions***

The contribution requirements for the LODA are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$12,704 and \$12,704 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the Town reported a liability of \$339,627 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was .09466% as compared to .10121% at June 30, 2018.

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of \$22,333. 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, 2020 (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, 2020, 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	\$ 49,364	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	672
Change in assumptions	15,936	29,442
Change in proportion	-	39,330
Employer contributions subsequent to the measurement date	<u>12,704</u>	<u>-</u>
Total	<u>\$ 78,004</u>	<u>\$ 69,444</u>

\$12,704 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, 2021. 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>	
2021	\$ (1,384)
2022	(1,383)
2023	(1,279)
2024	(1,168)
2025	(1,136)
Thereafter	2,206

***Actuarial Assumptions***

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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**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	7.25%-4.75%
Ages 65 and older	5.50%-4.75%
Year of ultimate trend rate:	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50%, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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

***Actuarial Assumptions: (Continued)***

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

***Net LODA OPEB Liability***

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 361,626
Plan Fiduciary Net Position	2,839
LODA Net OPEB Liability (Asset)	<u>\$ 358,787</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%

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

***Long-Term Expected Rate of Return***

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.50% 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 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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

***Discount Rate***

The discount rate used to measure the total LODA OPEB liability was 3.50%. 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, 2019, 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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate		
	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 393,991	\$ 339,627	\$ 296,628

***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 7.75% 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 (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 3.75%)	Current (7.75% decreasing to 4.75%)	1% Increase (8.75% decreasing to 5.75%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 287,151	\$ 339,627	\$ 405,804

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**NOTE 11—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

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

***LODA OPEB Fiduciary Net Position***

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTE 12—CONTINGENT LIABILITIES:**

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**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:**

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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, 2020, the Town's aggregate general obligation indebtedness was \$110,959,803 less than the Commonwealth of Virginia's limit. Reference Table 11 in the Other Statistical Information.

**NOTE 14—RISK MANAGEMENT:**

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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, 2020 (Continued)

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### NOTE 15—COMMITMENTS:

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The Town of Smithfield began its Pinewood Heights Relocation CDBG project in FY2007 and signed a contract with the Virginia Department of Housing and Community Development (VHCD) for the 4<sup>th</sup> and final phase on April 5, 2019. The contract will terminate on April 4, 2021. Phase IV includes acquisition and relocation of 5 owner-occupied, 6 market rate renter, and 4 section 8 renter households as well as acquisition of 4 vacant homes and 2 vacant lots for a total of 21 properties. As of June 30, 2020, the Town had acquired 5 owner-occupied and 4 renter-occupied properties. Relocations were also completed for 2 owners, 2 market rate renters, and 1 Section 8 renter. The Town's contract includes \$1,000,000 in CDBG funds with an expected match of \$1,409,807 from the Town, including \$44,100 from Suffolk Housing and Redevelopment Authority (SHRA) for Section 8 rentals. As of fiscal year-end 2020, the Town had utilized \$613,571 of the allotted \$1,000,000 grant and expended \$499,369 of Town matching funds towards the project. The Town utilized its dedicated meals tax funds for its portion of the 2020 costs and will continue to do so until the project is completed.

The Town's new Joseph W. Luter Jr. Sports Complex opened in the spring of 2019. The Virginia Department of Transportation (VDOT) required the Town to install a right-turn lane into the complex upon approval of the project. Cumulative project costs of \$982,902 were expended through June 30, 2020, but inspections and final payment will not be completed until 2021. The projected total cost of the project including engineering and construction is \$1,092,902.

Another large VDOT approved project was an intersection improvement alternative analysis for Bennis Church Boulevard/US Route 258/State Route 10 Bypass. The preliminary engineering phase was budgeted at \$180,470 and was completed during FY2020. The improvement phase of the project (\$902,843) will begin in FY2021.

### NOTE 16—UPCOMING PRONOUNCEMENTS:

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

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

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

## TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### NOTE 16—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

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

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

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

### NOTE 17—COVID-19 PANDEMIC SUBSEQUENT EVENT:

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On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Town is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

## **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, 2020

	General Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
General property taxes	\$ 2,820,598	\$ 2,820,598	\$ 3,031,047	\$ 210,449
Other local taxes	3,603,102	3,603,102	3,576,266	(26,836)
Permits, privilege fees, and regulatory licenses	36,700	36,700	104,934	68,234
Fines and forfeitures	40,000	40,000	43,739	3,739
Revenue from the use of money and property	427,832	427,832	404,126	(23,706)
Miscellaneous	287,556	287,556	2,995,212	2,707,656
Intergovernmental:				
Commonwealth	967,545	997,006	1,422,353	425,347
Federal	2,512,040	2,923,213	1,077,665	(1,845,548)
<b>Total revenues</b>	<b>\$ 10,695,373</b>	<b>\$ 11,136,007</b>	<b>\$ 12,655,342</b>	<b>\$ 1,519,335</b>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,402,535	\$ 1,402,535	\$ 1,256,614	\$ 145,921
Public safety	2,623,040	2,652,501	2,480,146	172,355
Public works	1,059,841	1,059,841	1,040,070	19,771
Parks, recreation, and cultural	1,653,539	1,653,539	1,429,137	224,402
Community development	2,834,009	2,834,009	1,458,341	1,375,668
Capital projects	2,866,270	2,866,270	4,329,649	(1,463,379)
Debt service:				
Principal retirement	398,147	398,147	397,643	504
Interest and other fiscal charges	86,624	86,624	87,928	(1,304)
<b>Total expenditures</b>	<b>\$ 12,924,005</b>	<b>\$ 12,953,466</b>	<b>\$ 12,479,528</b>	<b>\$ 473,938</b>
Excess (deficiency) of revenues over (under) expenditures	\$ (2,228,632)	\$ (1,817,459)	\$ 175,814	\$ 1,993,273
Net change in fund balances	\$ (2,228,632)	\$ (1,817,459)	\$ 175,814	\$ 1,993,273
Fund balances - beginning	2,228,632	1,817,459	7,982,871	6,165,412
Fund balances - ending	\$ -	\$ -	\$ 8,158,685	\$ 8,158,685

## Highway Maintenance Fund

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

For the Year Ended June 30, 2020

	Highway Maintenance Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 250	\$ 250	\$ 191	\$ (59)
Intergovernmental:				
Commonwealth	1,243,925	1,243,925	1,247,245	3,320
Total revenues	\$ 1,244,175	\$ 1,244,175	\$ 1,247,436	\$ 3,261
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 1,244,175	\$ 1,244,175	\$ 1,153,658	\$ 90,517
Total expenditures	\$ 1,244,175	\$ 1,244,175	\$ 1,153,658	\$ 90,517
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 93,778	\$ 93,778
Net change in fund balances	\$ -	\$ -	\$ 93,778	\$ 93,778
Fund balances - beginning	-	-	182,868	182,868
Fund balances - ending	\$ -	\$ -	\$ 276,646	\$ 276,646

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Pension Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 341,033	\$ 347,677	\$ 345,672	\$ 331,525	\$ 327,359	\$ 321,427
Interest	634,287	600,262	549,789	508,644	467,961	429,561
Differences between expected and actual experience	272,262	(172,628)	107,895	(38,766)	6,227	-
Changes of assumptions	343,613	-	(39,355)	-	-	-
Benefit payments	(335,956)	(242,520)	(243,397)	(183,768)	(257,044)	(147,781)
<b>Net change in total pension liability</b>	\$ 1,255,239	\$ 532,791	\$ 720,604	\$ 617,635	\$ 544,503	\$ 603,207
<b>Total pension liability - beginning</b>	9,229,218	8,696,427	7,975,823	7,358,188	6,813,685	6,210,478
<b>Total pension liability - ending (a)</b>	<u>\$ 10,484,457</u>	<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>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 148,084	\$ 152,960	\$ 200,069	\$ 175,435	\$ 169,828	\$ 225,366
Contributions - employee	158,765	138,192	139,642	139,731	126,764	133,560
Net investment income	708,065	727,785	1,064,028	152,635	365,835	1,071,092
Benefit payments	(335,956)	(242,520)	(243,397)	(183,768)	(257,044)	(147,781)
Administrator charges	(6,847)	(6,115)	(5,926)	(5,063)	(4,907)	(5,531)
Other	(448)	(654)	(955)	(63)	(78)	57
<b>Net change in plan fiduciary net position</b>	\$ 671,663	\$ 769,648	\$ 1,153,461	\$ 278,907	\$ 400,398	\$ 1,276,763
<b>Plan fiduciary net position - beginning</b>	10,544,833	9,775,185	8,621,724	8,342,817	7,942,419	6,665,656
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 11,216,496</u>	<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>
<b>Town's net pension (asset) liability - ending (a) - (b)</b>	\$ (732,039)	\$ (1,315,615)	\$ (1,078,758)	\$ (645,901)	\$ (984,629)	\$ (1,128,734)
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	106.98%	114.25%	112.40%	108.10%	113.38%	116.57%
<b>Covered payroll</b>	\$ 3,112,992	\$ 2,848,327	\$ 2,850,144	\$ 2,636,184	\$ 2,541,822	\$ 2,522,284
<b>Town's net pension (asset) liability as a percentage of covered payroll</b>	-23.52%	-46.19%	-37.85%	-24.50%	-38.74%	-44.75%

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

## Schedule of Employer Contributions

## Pension Plan

For the Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2020	\$ 144,134	\$ 144,134	\$ -	\$ 3,248,871	4.44%
2019	148,085	148,085	-	3,112,992	4.76%
2018	152,960	152,960	-	2,848,327	5.37%
2017	156,370	156,370	-	2,850,144	5.49%
2016	175,434	175,434	-	2,636,184	6.65%
2015	170,809	170,809	-	2,541,822	6.72%
2014	225,492	225,492	-	2,522,284	8.94%
2013	222,173	222,173	-	2,485,160	8.94%
2012	130,192	130,192	-	2,337,373	5.57%
2011	130,342	130,342	-	2,340,076	5.57%

Notes to Required Supplementary Information  
Pension Plan  
For the Year Ended June 30, 2020

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**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

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

Schedule of Employer's Share of Net OPEB Liability  
 Group Life Insurance (GLI) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2019

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)
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, 2020

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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)
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, 2020

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**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

## Schedule of Employer's Share of Net LODA OPEB Liability

## Line of Duty Act (LODA) Program

For the Measurement Dates of June 30, 2017 through June 30, 2019

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)
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 the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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, 2020

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)
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. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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, 2020

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**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, 2018 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

## **Other Supplementary Information**

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Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,110,233	\$ 2,110,233	\$ 2,231,845	\$ 121,612
Real and personal public service corporation taxes	29,645	29,645	35,285	5,640
Personal property and machinery & tools taxes	645,000	645,000	721,896	76,896
Penalties	32,720	32,720	30,814	(1,906)
Interest	3,000	3,000	11,207	8,207
Total general property taxes	<u>\$ 2,820,598</u>	<u>\$ 2,820,598</u>	<u>\$ 3,031,047</u>	<u>\$ 210,449</u>
Other local taxes:				
Local sales and use taxes	\$ 360,000	\$ 360,000	\$ 414,610	\$ 54,610
Cigarette taxes	250,000	250,000	228,865	(21,135)
Bank stock taxes	150,000	150,000	115,999	(34,001)
Business license tax	399,225	399,225	362,256	(36,969)
Utility license taxes	200,000	200,000	201,256	1,256
Transient taxes	219,000	219,000	182,901	(36,099)
Meals tax	1,731,957	1,731,957	1,802,305	70,348
Vehicle licenses	241,000	241,000	218,872	(22,128)
Peg Channel capital fee	1,920	1,920	1,920	-
Consumption tax	50,000	50,000	47,282	(2,718)
Total other local taxes	<u>\$ 3,603,102</u>	<u>\$ 3,603,102</u>	<u>\$ 3,576,266</u>	<u>\$ (26,836)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 36,700	\$ 36,700	\$ 104,934	\$ 68,234
Total permits, privilege fees, and regulatory licenses	<u>\$ 36,700</u>	<u>\$ 36,700</u>	<u>\$ 104,934</u>	<u>\$ 68,234</u>
Fines and forfeitures:				
Police fines	\$ 40,000	\$ 40,000	\$ 43,739	\$ 3,739
Total fines and forfeitures	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 43,739</u>	<u>\$ 3,739</u>
Revenue from use of money and property:				
Interest	\$ 65,000	\$ 65,000	\$ 79,702	\$ 14,702
Revenue from use of property	362,832	362,832	324,424	(38,408)
Total revenue from use of money and property	<u>\$ 427,832</u>	<u>\$ 427,832</u>	<u>\$ 404,126</u>	<u>\$ (23,706)</u>
Miscellaneous:				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 3,752	\$ 2,752
VML insurance safety grant	-	-	3,031	3,031
Donations	286,556	286,556	2,980,835	2,694,279
Insurance recoveries	-	-	7,594	7,594
Total miscellaneous	<u>\$ 287,556</u>	<u>\$ 287,556</u>	<u>\$ 2,995,212</u>	<u>\$ 2,707,656</u>
Total revenue from local sources	<u>\$ 7,215,788</u>	<u>\$ 7,215,788</u>	<u>\$ 10,155,324</u>	<u>\$ 2,939,536</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 204,000	\$ 204,000	\$ 196,210	\$ (7,790)
PPTRA	240,795	240,795	240,795	-
Auto rental tax	5,000	5,000	7,878	2,878
Rolling stock tax	137	137	154	17
Total noncategorical aid	<u>\$ 449,932</u>	<u>\$ 449,932</u>	<u>\$ 445,037</u>	<u>\$ (4,895)</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 172,904	\$ 172,904	\$ 179,648	\$ 6,744
Total shared expenses	\$ 172,904	\$ 172,904	\$ 179,648	\$ 6,744
Other categorical aid:				
Fire programs fund	\$ -	\$ 29,461	\$ 29,461	\$ -
Virginia Commission of Arts Grant	4,500	4,500	4,500	-
VDOT - Urban Funds	340,209	340,209	760,980	420,771
Litter control grant	-	-	2,727	2,727
Total other categorical aid	\$ 344,709	\$ 374,170	\$ 797,668	\$ 423,498
Total categorical aid	\$ 517,613	\$ 547,074	\$ 977,316	\$ 430,242
Total revenue from the Commonwealth	\$ 967,545	\$ 997,006	\$ 1,422,353	\$ 425,347
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus Relief Fund	\$ -	\$ 411,173	\$ 434,006	\$ 22,833
Categorical aid:				
Highway Planning and Construction	\$ 1,512,040	\$ 1,512,040	\$ 46,221	\$ (1,465,819)
Pinewood Heights CDBG Relocation Grant	1,000,000	1,000,000	582,571	(417,429)
State and Community Highway Safety Grant	-	-	5,462	5,462
Alcohol Open Container Requirements	-	-	3,510	3,510
National Priority Safety Programs	-	-	5,895	5,895
Total categorical aid	\$ 2,512,040	\$ 2,512,040	\$ 643,659	\$ (1,868,381)
Total revenue from the federal government	\$ 2,512,040	\$ 2,923,213	\$ 1,077,665	\$ (1,868,381)
Total General Fund	\$ 10,695,373	\$ 11,136,007	\$ 12,655,342	\$ 1,496,502
<b>Highway Maintenance Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Interest	\$ 250	\$ 250	\$ 191	\$ (59)
Total revenue from local sources	\$ 250	\$ 250	\$ 191	\$ (59)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Street and highway maintenance	\$ 1,243,925	\$ 1,243,925	\$ 1,247,245	\$ 3,320
Total revenue from the Commonwealth	\$ 1,243,925	\$ 1,243,925	\$ 1,247,245	\$ 3,320
Total Highway Maintenance Fund	\$ 1,244,175	\$ 1,244,175	\$ 1,247,436	\$ 3,261
Total Primary Government	\$ 11,939,548	\$ 12,380,182	\$ 13,902,778	\$ 1,499,763

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 205,621	\$ 205,621	\$ 263,919	\$ (58,298)
Town Manager	528,175	528,175	413,302	114,873
Treasurer	668,739	668,739	579,393	89,346
Total general government administration	<u>\$ 1,402,535</u>	<u>\$ 1,402,535</u>	<u>\$ 1,256,614</u>	<u>\$ 145,921</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,370,441	\$ 2,370,441	\$ 2,231,245	\$ 139,196
Total law enforcement and traffic control	<u>\$ 2,370,441</u>	<u>\$ 2,370,441</u>	<u>\$ 2,231,245</u>	<u>\$ 139,196</u>
Fire and rescue services:				
Fire department	\$ 15,000	\$ 44,461	\$ 44,461	\$ -
E-911 dispatch	237,599	237,599	204,440	33,159
Total fire and rescue services	<u>\$ 252,599</u>	<u>\$ 282,060</u>	<u>\$ 248,901</u>	<u>\$ 33,159</u>
Total public safety	<u>\$ 2,623,040</u>	<u>\$ 2,652,501</u>	<u>\$ 2,480,146</u>	<u>\$ 172,355</u>
Public works:				
Public works engineering, trash removal:				
Engineering, trash removal, maintenance	\$ 855,114	\$ 855,114	\$ 714,132	\$ 140,982
Maintenance of general buildings and grounds:				
Public buildings	\$ 204,727	\$ 204,727	\$ 325,938	\$ (121,211)
Total public works	<u>\$ 1,059,841</u>	<u>\$ 1,059,841</u>	<u>\$ 1,040,070</u>	<u>\$ 19,771</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 339,281	\$ 339,281	\$ 306,418	\$ 32,863
Smithfield CHIP Program	6,000	6,000	207	5,793
Clontz Park	2,000	2,000	8,234	(6,234)
Cypress Creek No Wake Zone	-	-	63	(63)
Farmers Market	3,000	3,000	3,000	-
Fireworks	2,000	2,000	-	2,000
Haydens Lane Maintenance	1,000	1,000	1,024	(24)
Veterans War Memorial	2,500	2,500	2,769	(269)
Isle of Wight Arts League	9,000	9,000	9,000	-
Jersey Park Playground	-	-	3,942	(3,942)
Museum	191,713	191,713	179,944	11,769
Regional Library	4,500	4,500	4,500	-
Smithfield Center	340,952	340,952	367,038	(26,086)
Waterworks Lake Park and Dam	250	250	14,995	(14,745)
Luter Sports Complex	97,500	97,500	103,438	(5,938)
Windsor Castle Manor House	25,936	25,936	31,399	(5,463)
Windsor Castle Park Restoration Contribution	500,000	500,000	250,000	250,000
Windsor Castle Park	127,907	127,907	143,166	(15,259)
Total parks, recreation, and cultural	<u>\$ 1,653,539</u>	<u>\$ 1,653,539</u>	<u>\$ 1,429,137</u>	<u>\$ 224,402</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development:				
Planning and community development:				
Old courthouse contribution	\$ 4,400	\$ 4,400	\$ 4,400	\$ -
Chamber of Commerce	6,000	6,000	6,000	-
Christian Outreach	12,650	12,650	12,650	-
Genieve Shelter	7,920	7,920	7,920	-
Hampton Roads Planning District	-	-	10,708	(10,708)
YMCA Project	50,000	50,000	50,000	-
CDBG and Pinewood Heights	2,409,807	2,409,807	980,901	1,428,906
TRIAD	1,650	1,650	1,650	-
Tourism Bureau	273,722	273,722	237,396	36,326
Tax Relief for Elderly & Veterans	27,300	27,300	106,156	(78,856)
Western Tidewater Free Clinic	40,560	40,560	40,560	-
Total community development	<u>\$ 2,834,009</u>	<u>\$ 2,834,009</u>	<u>\$ 1,458,341</u>	<u>\$ 1,375,668</u>
Capital projects:				
Function:				
General Government - Treasurer	\$ 66,850	\$ 66,850	\$ 31,634	\$ 35,216
Public Safety - Police	66,000	66,000	71,091	(5,091)
Public Works - other	2,493,420	2,493,420	949,619	1,543,801
Public Works - public buildings	60,000	60,000	427,512	(367,512)
Parks, Recreation and Cultural	26,000	26,000	28,572	(2,572)
Parks, Recreation and Cultural - Luter Sports Complex	25,000	25,000	-	25,000
Parks, Recreation and Cultural - Windsor Castle Park Renovations	-	-	2,590,580	(2,590,580)
Parks, Recreation and Cultural - Windsor Castle Park	38,000	38,000	53,881	(15,881)
Parks, Recreation and Cultural - Windsor Castle Park Manor House	65,000	65,000	-	65,000
Parks, Recreation and Cultural - Smithfield Center	26,000	26,000	-	26,000
Parks, Recreation and Cultural - Clontz Park	-	-	68,760	(68,760)
Community Development - property acquisition	-	-	108,000	(108,000)
Total capital projects	<u>\$ 2,866,270</u>	<u>\$ 2,866,270</u>	<u>\$ 4,329,649</u>	<u>\$ (1,463,379)</u>
Debt service:				
Principal retirement and interest	\$ 398,147	\$ 398,147	\$ 397,643	\$ 504
Interest and other fiscal charges	86,624	86,624	87,928	(1,304)
Total debt service	<u>\$ 484,771</u>	<u>\$ 484,771</u>	<u>\$ 485,571</u>	<u>\$ (800)</u>
Total General Fund	<u>\$ 12,924,005</u>	<u>\$ 12,953,466</u>	<u>\$ 12,479,528</u>	<u>\$ 473,938</u>
<b>Highway Maintenance Fund:</b>				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highway maintenance	\$ 1,231,675	\$ 1,231,675	\$ 1,153,658	\$ 78,017
Highway capital outlay	12,500	12,500	-	12,500
Total Highway Maintenance Fund	<u>\$ 1,244,175</u>	<u>\$ 1,244,175</u>	<u>\$ 1,153,658</u>	<u>\$ 90,517</u>
Total Primary Government	<u>\$ 14,168,180</u>	<u>\$ 14,197,641</u>	<u>\$ 13,633,186</u>	<u>\$ 564,455</u>

## Other Statistical Information

TOWN OF SMITHFIELD, VIRGINIA

Net Position by Component  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental activities				
Net investment in capital assets	\$ 25,813,746	\$ 22,192,996	\$ 20,147,780	\$ 21,015,145
Restricted	372,195	107,635	423,552	1,258,418
Unrestricted	8,433,786	8,453,823	8,680,771	7,236,182
Total governmental activities net position	<u>\$ 34,619,727</u>	<u>\$ 30,754,454</u>	<u>\$ 29,252,103</u>	<u>\$ 29,509,745</u>
Business-type activities				
Net investment in capital assets	\$ 12,259,196	\$ 12,356,908	\$ 12,182,289	\$ 12,145,829
Restricted	3,200,895	3,125,014	3,033,839	2,764,024
Unrestricted	4,421,817	4,219,295	3,521,849	3,181,201
Total business-type activities net position	<u>\$ 19,881,908</u>	<u>\$ 19,701,217</u>	<u>\$ 18,737,977</u>	<u>\$ 18,091,054</u>
Primary government				
Net investment in capital assets	\$ 38,072,942	\$ 34,549,904	\$ 32,330,069	\$ 33,160,974
Restricted	3,573,090	3,232,649	3,457,391	4,022,442
Unrestricted	12,855,603	12,673,118	12,202,620	10,417,383
Total primary government net position	<u>\$ 54,501,635</u>	<u>\$ 50,455,671</u>	<u>\$ 47,990,080</u>	<u>\$ 47,600,799</u>

Table 1

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$	21,084,936	\$ 19,325,305	\$ 19,858,407	\$ 20,341,956	\$ 20,238,480	\$ 16,855,409
	1,896,404	130,778	161,059	176,929	-	-
	6,507,589	6,366,159	5,125,703	4,478,388	2,877,537	4,112,055
\$	<u>29,488,929</u>	<u>25,822,242</u>	<u>25,145,169</u>	<u>24,997,273</u>	<u>23,116,017</u>	<u>20,967,464</u>
\$	12,022,648	\$ 12,041,397	\$ 12,149,969	\$ 12,456,082	\$ 12,248,298	\$ 12,153,344
	2,261,716	2,118,384	1,793,475	1,509,709	2,233,571	1,440,224
	3,268,468	2,914,632	2,694,709	2,397,006	1,657,184	2,750,516
\$	<u>17,552,832</u>	<u>17,074,413</u>	<u>16,638,153</u>	<u>16,362,797</u>	<u>16,139,053</u>	<u>16,344,084</u>
\$	33,107,584	\$ 31,366,702	\$ 32,008,376	\$ 32,798,038	\$ 32,486,778	\$ 29,008,753
	4,158,120	2,249,162	1,954,534	1,686,638	2,233,571	1,440,224
	9,776,057	9,280,791	7,820,412	6,875,394	4,534,721	6,862,571
\$	<u>47,041,761</u>	<u>42,896,655</u>	<u>41,783,322</u>	<u>41,360,070</u>	<u>39,255,070</u>	<u>37,311,548</u>

TOWN OF SMITHFIELD, VIRGINIA

Change in Net Position  
Last Ten Fiscal Years

	2020	2019	2018	2017
<b>Expenses</b>				
Governmental activities:				
General government administration	\$ 1,324,043	\$ 1,218,767	\$ 1,193,699	\$ 1,172,634
Public safety	2,687,945	2,335,986	2,412,254	2,501,166
Public works	2,648,183	2,531,611	2,303,138	2,460,615
Parks, recreation, and cultural	1,931,278	1,724,153	1,892,333	1,468,199
Community development	1,458,373	676,948	742,362	1,903,649
Interest on long-term debt	86,375	107,901	127,571	50,342
Total governmental activities expenses	<u>\$ 10,136,197</u>	<u>\$ 8,595,366</u>	<u>\$ 8,671,357</u>	<u>\$ 9,556,605</u>
Business-type activities:				
Water	\$ 1,878,610	\$ 1,593,655	\$ 1,548,749	\$ 1,623,458
Sewer	1,064,151	903,326	838,798	930,017
Total business-type activities expenses	<u>\$ 2,942,761</u>	<u>\$ 2,496,981</u>	<u>\$ 2,387,547</u>	<u>\$ 2,553,475</u>
Total primary government expenses	<u>\$ 13,078,958</u>	<u>\$ 11,092,347</u>	<u>\$ 11,058,904</u>	<u>\$ 12,110,080</u>
<b>Program Revenue</b>				
Governmental activities:				
Charges for services:	\$ 148,673	\$ 87,206	\$ 91,082	\$ 97,832
Operating grants and contributions	2,495,025	1,557,719	1,743,669	1,862,264
Capital grants and contributions	3,702,277	1,303,665	132,597	957,221
Total governmental activities program revenues	<u>\$ 6,345,975</u>	<u>\$ 2,948,590</u>	<u>\$ 1,967,348</u>	<u>\$ 2,917,317</u>
Business-type activities:				
Charges for services:				
Water	\$ 1,722,097	\$ 1,692,607	\$ 1,591,685	\$ 1,598,568
Sewer	1,125,190	1,158,739	1,236,027	1,241,163
Operating grants and contributions	-	-	-	-
Capital grants and contributions	194,180	522,900	182,580	217,840
Total business-type activities program revenues	<u>\$ 3,041,467</u>	<u>\$ 3,374,246</u>	<u>\$ 3,010,292</u>	<u>\$ 3,057,571</u>
Total primary government program revenues	<u>\$ 9,387,442</u>	<u>\$ 6,322,836</u>	<u>\$ 4,977,640</u>	<u>\$ 5,974,888</u>
Governmental activities	\$ (3,790,222)	\$ (5,646,776)	\$ (6,704,009)	\$ (6,639,288)
Business-type activities	98,706	877,265	622,745	504,096
Total primary government net expense	<u>\$ (3,691,516)</u>	<u>\$ (4,769,511)</u>	<u>\$ (6,081,264)</u>	<u>\$ (6,135,192)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 3,129,739	\$ 2,519,668	\$ 2,495,373	\$ 2,244,184
Franchise taxes	201,256	192,386	197,901	190,102
Sales taxes	414,610	357,250	357,917	367,527
Other taxes	2,960,400	3,058,161	2,898,901	2,817,556
Grants and contributions not restricted to specific programs	445,037	448,490	460,881	682,356
Gain (Loss) on disposition of capital assets	-	-	-	6,268
Revenues from use of property and money	404,317	460,292	334,010	234,640
Miscellaneous	100,136	112,880	208,605	117,471
Transfers	-	-	-	-
Other-Insurance Recoveries	-	-	-	-
Total governmental activities	<u>\$ 7,655,495</u>	<u>\$ 7,149,127</u>	<u>\$ 6,953,588</u>	<u>\$ 6,660,104</u>
Business-type activities:				
Miscellaneous	\$ 40,740	\$ 26,967	\$ 17,445	\$ 11,539
Other-Insurance Recoveries	-	-	-	-
Revenues from use of property and money	41,245	59,008	40,513	22,587
Total business-type activities	<u>\$ 81,985</u>	<u>\$ 85,975</u>	<u>\$ 57,958</u>	<u>\$ 34,126</u>
Total primary government	<u>\$ 7,737,480</u>	<u>\$ 7,235,102</u>	<u>\$ 7,011,546</u>	<u>\$ 6,694,230</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 3,865,273	\$ 1,502,351	\$ 249,579	\$ 20,816
Business-type activities	180,691	963,240	680,703	538,222
Total primary government	<u>\$ 4,045,964</u>	<u>\$ 2,465,591</u>	<u>\$ 930,282</u>	<u>\$ 559,038</u>

Table 2

	2016	2015	2014	2013	2012	2011
\$	1,053,933	\$ 1,003,355	\$ 964,395	\$ 1,008,448	\$ 849,523	\$ 873,583
	2,395,527	2,364,059	2,397,623	2,363,849	2,357,991	2,453,686
	2,462,073	2,287,246	2,388,421	2,090,010	2,209,701	1,813,720
	945,848	916,654	826,369	691,306	740,853	806,902
	1,144,472	1,039,243	1,004,920	646,422	458,015	561,600
	44,266	41,771	35,648	43,342	34,721	57,712
\$	<u>8,046,119</u>	<u>\$ 7,652,328</u>	<u>\$ 7,617,376</u>	<u>\$ 6,843,377</u>	<u>\$ 6,650,804</u>	<u>\$ 6,567,203</u>
\$	1,535,791	\$ 1,751,634	\$ 1,632,400	\$ 1,546,489	\$ 1,637,463	\$ 895,899
	972,556	1,011,978	1,121,187	1,245,035	1,594,505	1,078,458
\$	<u>2,508,347</u>	<u>\$ 2,763,612</u>	<u>\$ 2,753,587</u>	<u>\$ 2,791,524</u>	<u>\$ 3,231,968</u>	<u>\$ 1,974,357</u>
\$	<u>10,554,466</u>	<u>\$ 10,415,940</u>	<u>\$ 10,370,963</u>	<u>\$ 9,634,901</u>	<u>\$ 9,882,772</u>	<u>\$ 8,541,560</u>
\$	91,602	\$ 105,848	\$ 92,796	\$ 85,572	\$ 539,710	\$ 509,445
	1,305,965	1,263,354	1,268,617	1,335,108	1,394,579	1,287,831
	3,555,770	150,800	374,394	1,516,875	2,281,395	1,202,583
\$	<u>4,953,337</u>	<u>\$ 1,520,002</u>	<u>\$ 1,735,807</u>	<u>\$ 2,937,555</u>	<u>\$ 4,215,684</u>	<u>\$ 2,999,859</u>
\$	1,590,719	\$ 1,624,519	\$ 1,626,650	\$ 1,594,540	\$ 1,521,884	\$ 1,299,332
	1,201,638	1,214,154	1,201,756	1,181,471	1,370,018	1,357,910
	-	-	-	-	-	-
	150,444	211,594	178,369	212,202	120,586	18,737
\$	<u>2,942,801</u>	<u>\$ 3,050,267</u>	<u>\$ 3,006,775</u>	<u>\$ 2,988,213</u>	<u>\$ 3,012,488</u>	<u>\$ 2,675,979</u>
\$	<u>7,896,138</u>	<u>\$ 4,570,269</u>	<u>\$ 4,742,582</u>	<u>\$ 5,925,768</u>	<u>\$ 7,228,172</u>	<u>\$ 5,675,838</u>
\$	<u>(3,092,782)</u>	<u>\$ (6,132,326)</u>	<u>\$ (5,881,569)</u>	<u>\$ (3,905,822)</u>	<u>\$ (2,435,120)</u>	<u>\$ (3,567,344)</u>
	434,454	286,655	253,188	196,689	(219,480)	701,622
\$	<u>(2,658,328)</u>	<u>\$ (5,845,671)</u>	<u>\$ (5,628,381)</u>	<u>\$ (3,709,133)</u>	<u>\$ (2,654,600)</u>	<u>\$ (2,865,722)</u>
\$	2,432,132	\$ 2,304,590	\$ 2,498,772	\$ 2,352,590	\$ 2,602,423	\$ 2,670,808
	137,832	130,227	134,609	116,784	131,046	143,231
	330,898	313,161	293,935	259,165	323,039	263,813
	2,712,974	2,585,464	2,319,444	2,209,427	1,905,360	1,722,320
	473,672	480,541	480,105	493,914	-	7,637
	289,162	17,028	28,142	18,722	(900,500)	(355,905)
	271,179	239,991	205,654	193,830	306,049	46,373
	111,620	178,676	68,804	138,522	19,269	4,796
	-	-	-	-	-	(41,000)
	-	-	-	4,124	34,018	9,219
\$	<u>6,759,469</u>	<u>\$ 6,249,678</u>	<u>\$ 6,029,465</u>	<u>\$ 5,787,078</u>	<u>\$ 4,420,704</u>	<u>\$ 4,471,292</u>
\$	26,793	\$ 15,663	\$ 10,642	\$ 7,543	\$ 3,091	\$ -
	-	-	-	7,110	-	-
	17,172	13,117	11,526	12,402	14,449	17,761
\$	<u>43,965</u>	<u>\$ 28,780</u>	<u>\$ 22,168</u>	<u>\$ 27,055</u>	<u>\$ 14,449</u>	<u>\$ 17,761</u>
\$	<u>6,803,434</u>	<u>\$ 6,278,458</u>	<u>\$ 6,051,633</u>	<u>\$ 5,814,133</u>	<u>\$ 4,435,153</u>	<u>\$ 4,489,053</u>
\$	3,666,687	\$ 117,352	\$ 147,896	\$ 1,881,256	\$ 1,985,584	\$ 903,948
	478,419	315,435	275,356	223,744	(205,031)	719,383
\$	<u>4,145,106</u>	<u>\$ 432,787</u>	<u>\$ 423,252</u>	<u>\$ 2,105,000</u>	<u>\$ 1,780,553</u>	<u>\$ 1,623,331</u>

TOWN OF SMITHFIELD, VIRGINIA

Fund Balances of Governmental Funds  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	-
Nonspendable	48,769	71,395	86,943	47,593	87,451
Restricted	95,549	107,635	148,943	1,116,809	1,800,803
Committed	1,187,710	1,417,334	1,398,693	1,245,015	203,984
Unassigned	6,826,657	6,386,507	6,948,472	5,251,801	5,331,092
<b>Total general fund</b>	<u>\$ 8,158,685</u>	<u>\$ 7,982,871</u>	<u>\$ 8,583,051</u>	<u>\$ 7,661,218</u>	<u>\$ 7,423,330</u>
All Other Governmental Funds					
Nonspendable, reported in:					
Special revenue funds	\$ -	\$ 2,643	\$ -	\$ -	-
Restricted, reported in:					
Special revenue funds	276,646	180,225	274,609	141,609	95,601
Assigned, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	8,108	8,108	8,108	8,108	8,108
Unassigned, reported in:					
Special revenue funds	-	-	-	-	-
<b>Total all other governmental funds</b>	<u>\$ 284,754</u>	<u>\$ 190,976</u>	<u>\$ 282,717</u>	<u>\$ 149,717</u>	<u>\$ 103,709</u>
<b>Total fund balances</b>	<u>\$ 8,443,439</u>	<u>\$ 8,173,847</u>	<u>\$ 8,865,768</u>	<u>\$ 7,810,935</u>	<u>\$ 7,527,039</u>

[1] The presentation of fund balance changed in 2011 as a result of the implementation of GASB 54. Prior to 2011, fund balances are reported only as 'reserved' and effective 2011, fund balances are reported as described in Note 1 of the notes to the financial statements.

Table 3

2015	2014	2013	2012	2011 [1]
\$ -	\$ -	\$ -	\$ -	\$ 1,174,566
37,522	2,128	36,723	-	-
130,778	161,059	176,929	-	-
144,384	22,444	19,903	-	638,907
5,353,610	4,878,078	4,058,330	2,691,180	2,189,060
<u>\$ 5,666,294</u>	<u>\$ 5,063,709</u>	<u>\$ 4,291,885</u>	<u>\$ 2,691,180</u>	<u>\$ 4,002,533</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
83,872	38,064	109,859	-	147,536
8,108	8,108	8,108	8,108	8,107
-	-	-	(7,007)	-
<u>\$ 91,980</u>	<u>\$ 46,172</u>	<u>\$ 117,967</u>	<u>\$ 1,101</u>	<u>\$ 155,643</u>
<u>\$ 5,758,274</u>	<u>\$ 5,109,881</u>	<u>\$ 4,409,852</u>	<u>\$ 2,692,281</u>	<u>\$ 4,158,176</u>

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General Governmental Expenditures by Function  
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Buildings and Works [1]	Parks Recreational and Cultural	Community Development and Nondepartmental	Capital Projects	Debt Service Principal	Debt Service Interest and Issuance Costs	Total
2020	\$ 1,256,614	\$ 2,480,146	\$ 2,193,728	\$ 1,429,137	\$ 1,458,341	\$ 4,329,649	\$ 397,643	\$ 87,928	\$ 13,633,186
2019	1,230,019	2,235,444	2,150,485	1,459,716	677,111	2,289,276	882,258	105,400	11,029,709
2018	1,185,804	2,288,658	1,907,265	1,716,056	742,362	1,682,879	271,485	119,401	9,913,910
2017	1,135,211	2,312,087	2,049,108	1,292,176	1,698,649	3,351,960	90,800	50,367	11,980,358
2016	1,032,973	2,252,064	1,987,807	775,156	1,144,472	1,946,638	87,057	\$ 45,097	9,271,264
2015	992,342	2,269,098	1,943,321	750,219	1,039,243	588,277	45,492	40,748	7,668,740
2014	917,447	2,249,828	2,032,428	662,467	856,680	183,990	35,210	35,648	6,973,698
2013	934,052	2,328,340	2,730,845	635,558	656,362	-	482,211	43,345	7,810,713
2012	839,491	2,559,397	6,138,421	581,972	785,664	-	18,227	34,721	10,957,893
2011	773,996	2,445,825	3,198,945	866,696	1,221,142	-	6,246	57,712	8,570,562

[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	Program	Intergovernmental			Miscellaneous	Total
							Commonwealth	Federal	Local-County		
2020	\$ 3,031,047	\$ 3,576,266	\$ 104,934	\$ 43,739	\$ 404,317	-	\$ 2,669,598	\$ 1,077,665	-	\$ 2,995,212	\$ 13,902,778
2019	2,514,739	3,607,797	46,850	40,356	460,292	-	2,557,452	148,777	-	716,525	10,092,788
2018	2,524,997	3,454,719	35,938	55,144	334,010	-	1,909,206	427,941	-	208,605	8,950,560
2017	2,257,766	3,375,185	34,890	62,942	234,640	-	1,832,838	564,799	214,204	1,007,471	9,584,735
2016	2,381,837	3,181,704	23,075	68,527	271,179	-	1,779,637	635,740	-	2,686,650	11,028,349
2015	2,410,696	3,028,852	41,506	64,342	239,991	-	1,740,239	154,456	-	178,676	7,858,758
2014	2,407,227	2,747,988	19,043	73,753	205,654	-	1,720,439	384,334	-	87,147	7,645,585
2013	2,361,401	2,585,376	17,176	68,396	193,830	-	1,853,459	682,438	5,559	947,087	8,714,722
2012	2,601,296	2,152,082	483,943	55,767	469,018	-	1,325,597	1,047,197	354,559	1,002,539	9,491,998
2011	2,681,191	2,129,364	441,428	68,017	172,447	936	1,153,683	1,096,213	134,871	771,542	8,649,692

[1] Includes penalties.

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

Property Tax Rates  
 Last Ten Fiscal Years
 

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Fiscal Year	Real Estate	Personal Property	Boats	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
2020	\$.19/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.19/\$100	\$1/\$100
2019	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2018	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.375/\$100	\$.16/\$100	\$1/\$100
2017	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.38/\$100	\$.16/\$100	\$1/\$100
2016	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2015	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2014	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2013	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2012	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2011	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100

[1] Mobile home rate.

Principal Taxpayers - Real Estate  
June 30, 2020

Taxpayer	Type of Business	Assessed Valuation Real Estate	% of Total
Smithfield Foods, Inc.	Meat processing	\$ 39,882,100	3.37%
Smithfield Farmland Corp	Meat processing	31,234,000	2.64%
Suso 4 Smithfield FF LP	Real Estate	12,549,900	1.06%
Patrick Henry Hospital	Nursing home/Assisted Living	8,294,000	0.70%
Bradford Mews Associates	Apartment rentals	8,000,000	0.68%
Smithfield Hotel LLC	Hotel/Lodging	6,026,400	0.51%
Morris Creek Landing Apartments	Apartment rentals	6,000,000	0.51%
Cypress Investment Holdings LLC	Land developer	5,215,100	0.44%
Pack Development Company LLC	Restaurant/Hotel	5,214,500	0.44%
Premium Pet Health LLC	Pet food raw material	4,629,600	0.39%
Smithfield Square Associates	Real estate	4,364,000	0.37%
CIG Cypress Run Plaza LLC	Commerical Real Estate	4,232,400	0.36%
Smithfield Ham & Products	Commercial/Industrial	4,190,200	0.35%
Church Square LLC	Land developer	3,246,400	0.27%
Skyline-Fri 8 LP	Commercial Real Estate	3,108,700	0.26%
KLS Smithfield Development Group LLC	Commercial/Industrial	3,055,600	0.26%
JVC LLC	Commercial Real Estate	2,874,100	0.24%
JP Housing LP	Apartment rentals	2,800,000	0.24%
Smithfield Packing Company	Meat processing	2,548,300	0.22%
Little Robert J III & Anne R	Commercial/Hardware	2,520,500	0.21%
		\$ 159,985,800	13.54%

		Assessed Valuation Personal Property	% of Total
Gwaltney of Smithfield	Meat processing	44,907,106	32.34%
C R England Inc	Trucking/shipping	2,161,715	1.56%
Premium Pet Health LLC	Dog food plant	1,317,627	0.95%
HYG Financial Services	Vehicle and equipment financing	1,177,888	0.85%
Riverside Convalescent Center	Nursing home/Assisted Living	1,056,421	0.76%
Charter Communications	Cable/High Speed Internet Service Provider	1,032,081	0.74%
Food Lion LLC	Retail grocery	958,042	0.69%
Kroger Limited Partnership	Retail grocery	907,270	0.65%
Hampton Inn & Suites	Hotel/Lodging	661,121	0.48%
		\$ 54,179,271	39.02%

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy [1][2]	Total Current Collections [1]	Percent of Levy Collected	Total Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes [3]	Percent of Delinquent Taxes to Tax Levy
2020	\$ 3,082,192	\$ 2,948,210	95.7%	\$ 40,816	\$ 2,989,026	97.0%	\$ 225,823	7.3%
2019	2,703,772	2,677,156	99.0%	35,608	2,712,764	100.3%	139,894	5.2%
2018	2,679,540	2,656,014	99.1%	50,846	2,706,860	101.0%	139,596	5.2%
2017	2,668,084	2,629,217	98.5%	40,649	2,669,866	100.1%	181,149	6.8%
2016	2,602,315	2,530,923	97.3%	25,179	2,556,102	98.2%	205,135	7.9%
2015	2,620,463	2,541,353	97.0%	62,029	2,603,382	99.3%	186,735	7.1%
2014	2,629,086	2,552,923	97.1%	49,288	2,602,211	99.0%	228,354	8.7%
2013	2,687,986	2,597,231	96.6%	65,467	2,662,698	99.1%	327,334	12.2%
2012	2,707,913	2,615,584	96.6%	54,429	2,670,013	98.6%	294,531	10.9%
2011	2,762,912	2,660,799	96.3%	91,482	2,752,281	99.6%	334,882	12.1%

[1] Exclusive of penalties and interest. Tax years 2010-2016 include VL tax as part of the personal property tax levy.

Exclusive of supplements and abatements of tax assessments

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

[3] Starting in FY 2014, penalties are not included

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

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

Fiscal Year	Population	Assessed Value	Gross and Net Bonded Debt [3]	Less: Debt Payable from Enterprise Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2020	8,441 [1]	\$ 1,298,608,557	\$ 6,020,769	\$ 1,949,623	\$ 4,071,146	0.31%	\$ 482
2019	8,441 [1]	1,251,982,678	6,710,634	2,306,498	4,404,136	0.35%	522
2018	8,287 [1]	1,233,040,324	7,877,421	2,656,970	5,220,451	0.42%	630
2017	8,287 [1]	1,228,195,669	6,507,832	2,998,000	3,509,832	0.29%	424
2016	8,287 [1]	1,264,903,187	3,970,025	3,034,840	935,185	0.07%	113
2015	8,287 [1]	1,270,545,592	4,548,745	3,526,503	1,022,242	0.08%	123
2014	8,220 [1]	1,262,169,562	4,494,595	3,861,161	633,434	0.05%	77
2013	8,143 [1]	1,242,935,697	4,948,510	4,279,866	668,644	0.05%	82
2012	8,089 [1]	1,291,801,806	5,303,476	4,682,823	620,653	0.05%	77
2011	8,089 [1]	1,315,267,714	4,870,677	4,231,770	638,907	0.05%	79

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

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

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

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

Fiscal Year	Governmental Funds		Total Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to Expenditures
	Principal	Interest			
2020	\$ 397,643	\$ 87,928	\$ 485,571	\$ 13,633,186	3.56%
2019	882,258	105,400	987,658	11,029,709	8.95%
2018	271,485	119,401	390,886	9,913,910	3.94%
2017	90,800	50,367	141,167	11,980,358	1.18%
2016	87,057	45,097	132,154	9,271,264	1.43%
2015	45,492	40,748	86,240	7,668,740	1.12%
2014	35,210	35,648	70,858	6,973,698	1.02%
2013	32,214	43,342	75,556	7,810,713	0.97%
2012	18,254	34,721	52,975	10,960,611	0.48%
2011	6,246	57,712	63,958	8,570,562	0.75%

Computation of Legal Debt Margin  
As of June 30, 2020

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Total assessed value of taxed real property	\$ 1,169,805,723
Debit limit - 10% of total assessed value	\$ 116,980,572
Amount of debt applicable to debt limit - gross debt	<u>6,020,769</u>
Legal debt margin	<u>\$ 110,959,803</u>

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

Function/Program	Full-time Equivalent Employees as of June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government										
Management services	3.56	3.53	4.40	4.18	3.40	3.40	3.40	3.33	2.80	2.80
Finance	6.80	6.69	6.80	6.91	6.95	5.80	5.80	5.80	4.71	4.12
Planning	2.63	2.27	1.85	1.85	1.85	2.00	2.15	2.35	2.35	2.35
Building	1.20	1.20	1.03	1.03	1.03	1.00	1.00	1.00	0.90	0.88
Other	-	0.67	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Police										
Officers	20.66	18.40	18.96	18.32	20.70	19.68	21.80	21.59	20.80	19.31
Civilians	4.00	4.06	4.70	4.70	4.70	4.59	3.77	3.80	2.46	3.82
Other public works										
Engineering	1.00	1.00	1.00	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Other	5.64	7.83	8.38	8.07	7.70	7.14	6.36	7.86	7.57	6.05
Park and recreation	11.54	10.25	9.15	9.35	8.99	9.43	6.56	5.33	4.92	5.08
Water	7.56	7.44	6.49	7.09	6.61	7.14	6.42	7.22	6.08	5.84
Wastewater	4.86	4.16	3.91	4.97	5.16	4.81	4.55	5.97	5.96	6.14
Total	69.45	67.50	67.47	68.07	68.69	66.59	63.41	65.85	60.15	57.99

TOWN OF SMITHFIELD, VIRGINIA

Operating Indicators by Function/Program  
Last Ten Fiscal Years

Function/Program	2020	2019	2018	2017	2016
Police					
Physical arrests	144	156	160	200	164
Parking violations	19	6	5	39	74
Traffic violations	1436	1154	1,026	1,395	1,471
Fire					
Emergency responses			536		875
Refuse collection					
Refuse collected (tons per day) [1]	7.92	8.38	8.26	7.57	7.53
Recycling collected (tons per day) [1]	1.60	1.56	1.63	2.06	1.87
Other public works					
Street resurfacing (miles) [1]	3.36	3.36	3.36	2.34	1.56
Potholes repaired [1]	25	17	21	43	59
Water					
New connections	31	65	23	25	19
Water mains breaks	76	77	64	29	68
Average daily consumption (thousands of gallons)	763.21	761	768.88	787.22	816.87
Peak daily consumption (thousands of gallons)	965.19	917.70	1,139.67	1,819.12	1,782.13

[1] outsourced to subcontractors

Table 13

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2015	2014	2013	2012	2011
170	279	268	199	271
60	22	23	21	20
1,108	1,689	1,662	1,041	1,387
608	620	603	659	524
7.29	9.63	33.13	32.57	33.69
1.64	N/A	N/A	N/A	N/A
2.52	1.5	1.25	1.23	1.40
73	80	85	83	87
24	21	28	10	17
76	30	25	35	4
829.31	835.8	828.59	822.07	810.72
1,886.87	1,949.25	1,968.15	1,821.23	1,879.39

TOWN OF SMITHFIELD, VIRGINIA

Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

Function/Program	2020	2019	2018	2017	2016
Police					
Stations	1	1	1	1	1
Patrol units	21	21	21	21	21
Fire stations	1	1	1	1	1
Other public works					
Street (miles)	48.59	48.46	48.02	48.02	47.02
Streetlights	707	707	707	705	705
Traffic signals	7	7	7	7	7
Park and recreation					
Acreage*	311.86	311.86	311.86	311.86	311.86
Playgrounds	3	2	2	2	2
Conference centers	1	1	1	1	1
Water					
Water mains (miles)	38.25	38.25	38.25	38.25	38.25
Storage capacity (thousands of gallons)	1,120	1,120	1,120	1,120	1,120
Wastewater					
Sanitary sewers (miles)	38.25	38.25	38.25	38.25	38.25

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

Table 14

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

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- Compliance -

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**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***

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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, 2020, and the related notes to the financial statements, which collectively comprise the Town of Smithfield, Virginia's basic financial statements, and have issued our report thereon dated December 11, 2020.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

December 11, 2020

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Smithfield, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Smithfield, Virginia's major federal programs for the year ended June 30, 2020. Town of Smithfield, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Smithfield, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Smithfield, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Town of Smithfield, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control over Compliance

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

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

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

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
December 11, 2020

TOWN OF SMITHFIELD, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation			
Pass-through payments:			
Virginia Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	N/A	\$ 46,221
Highway Safety Cluster:			
State and Community Highway Safety	20.600	FSC-2020-50370-20370	5,462
National Priority Safety Programs	20.616	M6OT-2019-59034-9034/M6OT-2020-50187-20187	5,895
Subtotal Highway Safety Cluster:			<u>11,357</u>
Alcohol Open Container Requirements	20.607	FSC-2019-59331-9331	<u>3,510</u>
Total Department of Transportation			<u>\$ 61,088</u>
Department of Treasury:			
Pass Through Payments:			
County of Isle of Wight, Virginia:			
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	\$ <u>434,006</u>
Department of Housing and Urban Development			
Pass-through payments:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	\$ <u>582,571</u>
Total Expenditures of Federal Awards			<u>\$ 1,077,665</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

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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, 2020. 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 3 - 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	\$ <u>1,077,665</u>
 Total federal expenditures per the Schedule of Expenditures of Federal Awards	 \$ <u>1,077,665</u>

**TOWN OF SMITHFIELD, VIRGINIA**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

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**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:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 - Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$	750,000
Auditee qualified as low-risk auditee?	No	

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

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

**Section IV - Prior Year Federal Award Findings and Questioned Costs**

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

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