

TOWN OF SMITHFIELD, VIRGINIA



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

TOWN OF SMITHFIELD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Prepared by:

Ellen Minga, Town Treasurer

Town of Smithfield, Virginia

Town Council and Executive Officers

Mayor

T. Carter Williams

Vice-Mayor

Andrew C. Gregory

Council Members

Constance H. Chapman
Dr. P. Milton Cook, Jr.
Randolph H. Pack
Michael G. Smith
Denise N. Tynes

Town Clerk

Lesley M. Greer

Town Manager

Peter M. Stephenson

Treasurer

Ellen D. Minga

Chief of Police

Steven G. Bowman

Committees

Finance

Randolph H. Pack (CH)
Dr. P. Milton Cook, Jr.
Andrew C. Gregory

Water and Sewer

Andrew C. Gregory (CH)
Michael G. Smith
Denise N. Tynes

Fire and Rescue

Denise N. Tynes (CH)
Constance H. Chapman
Randolph H. Pack

Isle of Wight Tourism Bureau

Andrew C. Gregory
Denise N. Tynes

Intergovernmental

T. Carter Williams
Andrew C. Gregory
Dr. P. Milton Cook, Jr.

Public Works

Michael G. Smith (CH)
Dr. P. Milton Cook, Jr.
Denise N. Tynes

Public Buildings and Welfare

Dr. P. Milton Cook, Jr. (CH)
Constance H. Chapman
Michael G. Smith

Public Safety - Police

Denise N. Tynes (CH)
Constance H. Chapman
Andrew C. Gregory

Parks and Recreation

Constance H. Chapman (CH)
Denise N. Tynes
Randolph H. Pack

Smithfield Planning Commission

Randolph H. Pack

TOWN OF SMITHFIELD, VIRGINIA

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YEAR ENDED JUNE 30, 2015

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Smithfield, Virginia, as of and for the year June 30, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note 16 to the financial statements, in 2015, the Town adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 funding on pages 4-17, 72-73, and 74-76 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.

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. The 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 supporting schedules 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, supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016, 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 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 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
January 19, 2016

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*Management's Discussion and Analysis
Fiscal Year July 1, 2014 - June 30, 2015*

The following discussion provides an overview and analysis of Town of Smithfield, Virginia's (Town's) financial activities for the fiscal year ended June 30, 2015. 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 \$117,352 which represents a .46% increase over FY2014 (total net position-government-wide).
- The Town continued progress on the Pinewood Heights Redevelopment Project with the acquisition of 4 properties (\$329,027) in Phase II Multi Year 1 and 1 property (\$81,693) in Phase II Multi-Year 2. One homeowner and four tenants were also relocated.
- The Town added capital assets totaling \$623,375 including multiple Pinewood Heights lot purchases, property on Wharf Hill, a 50% purchase of the rescue squad building and various equipment purchases.
- The Town issued a \$434,300 note payable to finance public safety capital purchases. Additionally, the Town refunded two water and sewer general obligation bonds realizing a net present value savings of \$356,061 (4.2% of the legal debt limit). Total long-term obligations increased \$67,714 during fiscal year 2015 due to the issuance of the aforementioned note payable.
- The Town implemented Statement of Governmental Accounting Standards (GASB Statement) Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Accordingly, the net pension liability/asset and related information are reported on the statement of net position along with a more comprehensive measure of pension expense and enhanced, note disclosures and required supplementary information. More information regarding the implementation of this new accounting standard can be found in Notes 16 and 11 of the Notes to Financial Statements.

Overview of the Financial Statements

This discussion and analysis serves 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 as a whole 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 of 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 propriety funds.

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

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

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

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

Supplementary Information - In addition to the basic financial statements and accompanying notes, this report also contains schedules of budgetary comparisons, pension funding progress, supporting schedules and other statistical information found on pages 72 through 99.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Town of Smithfield, Virginia
 Summary of Net Position
 As of June 30, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 9,444,251	7,922,747	\$ 5,437,248	4,709,215	\$ 14,881,499	12,631,962
Capital assets	20,347,547	20,491,841	15,529,335	16,011,130	35,876,882	36,502,971
Total assets	\$ 29,791,798	\$ 28,414,588	\$ 20,966,583	\$ 20,720,345	\$ 50,758,381	\$ 49,134,933
Deferred outflows of resources	\$ 140,484	-	\$ 68,891	-	\$ 209,375	-
Long-term liabilities outstanding	\$ 1,198,316	802,599	\$ 3,561,537	3,889,540	\$ 4,759,853	4,692,139
Other liabilities	775,097	750,382	314,688	192,652	1,089,785	943,034
Total liabilities	\$ 1,973,413	\$ 1,552,981	\$ 3,876,225	\$ 4,082,192	\$ 5,849,638	\$ 5,635,173
Deferred inflows of resources	\$ 2,136,627	1,716,438	\$ 84,836	-	\$ 2,221,463	1,716,438
Net position:						
Net investment in capital assets	\$ 19,325,305	19,858,407	\$ 12,041,397	12,149,969	\$ 31,366,702	32,008,376
Restricted	130,778	161,059	2,118,384	1,793,475	2,249,162	1,954,534
Unrestricted	6,366,159	5,125,703	2,914,632	2,694,709	9,280,791	7,820,412
Total net position	\$ 25,822,242	\$ 25,145,169	\$ 17,074,413	\$ 16,638,153	\$ 42,896,655	\$ 41,783,322

The combined net position for the Town totals \$42,896,655, an increase of 1.68% over FY2014. The largest portion (73%) 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 decreased by \$641,674(-2.0%) in FY2015 because depreciation expense and debt service payments exceeded the value of capital asset additions. Restricted net position of \$2,249,162 comprise 5.2% of total net position. The governmental activities total of \$130,778 represents donated and/or restricted funds specifically for beautification, the Pinewood Heights Redevelopment Project, the Smithfield Police Department, and the SNAP (Supplemental Nutrition Assistance Program) program. The business-type activities total of \$2,118,384 includes its debt service and sewer compliance escrow funds. The debt service fund has been in place since FY2005 and is used to fund 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. The sewer compliance fee was adopted on August 4, 2009 to fund expenses resulting from the regional sanitary sewer consent order. Unrestricted funds of \$9,280,791 make up 21.6% of total net position and increased by \$1,460,379 (18.7%) from prior year. Included in this category for governmental activities are cash balances in the highway fund that are used for state approved highway maintenance as well as 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 2015 as compared to 2014:

Town of Smithfield, Virginia						
Changes in Net Position						
As of June 30, 2015						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 105,848	\$ 92,796	\$ 2,838,673	\$ 2,828,406	\$ 2,944,521	\$ 2,921,202
Operating grants and contributions	1,263,354	1,268,617	-	-	1,263,354	1,268,617
Capital grants and contributions	150,800	374,394	211,594	178,369	362,394	552,763
General revenues:						
Property taxes	2,304,590	2,498,772	-	-	2,304,590	2,498,772
Other taxes	3,028,852	2,747,988	-	-	3,028,852	2,747,988
Unrestricted revenues from the use of money and property	239,991	205,654	13,117	11,526	253,108	217,180
Miscellaneous	178,676	68,804	15,663	10,642	194,339	79,446
Grants and contributions not restricted to specific programs	480,541	480,105	-	-	480,541	480,105
Gain on disposal	17,028	28,142	-	-	17,028	28,142
Total revenues	\$ 7,769,680	\$ 7,765,272	\$ 3,079,047	\$ 3,028,943	\$ 10,848,727	\$ 10,794,215
Expenses:						
General government administration						
	\$ 1,003,355	\$ 964,395	-	-	\$ 1,003,355	\$ 964,395
Public safety	2,364,059	2,397,623	-	-	2,364,059	2,397,623
Public works	2,287,246	2,388,421	-	-	2,287,246	2,388,421
Parks, recreation and cultural	916,654	826,369	-	-	916,654	826,369
Community development	1,039,243	1,004,920	-	-	1,039,243	1,004,920
Interest on long-term debt	41,771	35,648	-	-	41,771	35,648
Water fund	-	-	1,751,634	1,632,400	1,751,634	1,632,400
Sewer fund	-	-	1,011,978	1,121,187	1,011,978	1,121,187
Total expenses	\$ 7,652,328	\$ 7,617,376	\$ 2,763,612	\$ 2,753,587	\$ 10,415,940	\$ 10,370,963
Increase (decrease) in net position	\$ 117,352	\$ 147,896	\$ 315,435	\$ 275,356	\$ 432,787	\$ 423,252
Net position-beginning of year (restated FY 2015)	\$ 25,704,890	\$ 24,997,273	\$ 16,758,978	\$ 16,362,797	\$ 42,463,868	\$ 41,360,070
Net position-end of year	<u>\$ 25,822,242</u>	<u>\$ 25,145,169</u>	<u>\$ 17,074,413</u>	<u>\$ 16,638,153</u>	<u>\$ 42,896,655</u>	<u>\$ 41,783,322</u>

Program revenues make up 42% of total revenues and are comprised of charges for services, operating grants and contributions, and capital grants and contributions. Program revenues dropped \$172,313 (4%) from prior year due to a decrease in financial activity associated with Phase II of the Pinewood Heights Relocation project. Charges for governmental activities services (7%) include permits, review fees, inspection fees, and fines. These charges for services increased \$13,052 from FY2014 largely due to inspection fees of \$13,876 and a rezoning permit of \$8,170. Both are indicative of a resurgence of development that has been minimal since FY2011. Fines decreased by \$9,441 from prior year but were offset by the increases in permits and fees. Operating grants and contributions of \$1,263,354 (83%) dropped only \$5,263 from prior year and are made up of state highway maintenance funds (\$1,061,479), public safety grants (\$190,815), community development and cultural grants (\$5,492), and miscellaneous administrative and other grants (\$5,568). The annual state highway maintenance funds increased \$28,366 (3%) and are a much needed source of revenue to maintain the Town's streets, address storm water maintenance and support highway safety and beautification. Included in the safety grants are annual 599 funds from the state in the amount of \$161,532 to supplement the cost of law enforcement. The 599 funds have remained at the same funding level since FY2012 after being decreased by \$5880 that same year. The most significant change in program revenues occurred in capital grants and contributions which decreased 60% from \$374,394 in FY2014 to \$150,800 in FY2015. Both years were comprised of federal grant reimbursements for the Pinewood Heights Relocation project. Activity for the second portion of Phase II was not completed by year end 2015 due to resident relocation challenges; however, the Town did receive a \$25,000 planning grant for the expected Phase III.

The largest revenue source for the Town has always been general property taxes.

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Real estate tax revenue	\$ 1,585,907	\$ 1,767,140
Public Service corporation property taxes	30,753	31,183
Personal Property taxes	639,820	654,631
Penalties and interest	<u>48,121</u>	<u>45,818</u>
 Total	 <u>\$ 2,304,601</u>	 <u>\$ 2,498,772</u>

Tax assessments for the Town are received from the Isle of Wight County Commissioner of Revenue. Real estate has generally been reassessed every 2 years which would have made FY2015 a reassessment year, but Isle of Wight County opted to defer the process for one additional year.

Real estate and personal property assessments (including those assessed for Public Service Corporation entities) for FY2015 totaled \$1,079,000,782, and \$191,544,810, respectively, as compared to \$1,070,907,328 and \$204,826,521 for FY2014.

Other taxes increased \$280,864 (10%) 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. Transient occupancy tax increased \$12,469 (7%) with revenues continuing to be particularly strong in the 4th quarter and exceeding prior year by \$5675. Some of the increase is attributable to elimination of the dealer's discount (3%) that was previously allowed to retail establishments for tracking and submitting payment. In addition, FY2015 included \$8768 in penalties and interest for late payment of transient occupancy taxes. Sales tax revenues of \$313,161 also increased by \$19,226 (6.5%) which was the second consecutive year of an increase. Although not as large as the \$34,770 increase in 2014 the stabilization of sales tax is significant given the \$35,547 decrease in FY2013. Cigarette taxes totaled \$153,317 which was a decrease of \$13,596 (8%) from prior year. Continuing the Town's tax revisions on July 1, the cigarette tax was increased from \$0.25 per pack to \$0.35 per pack and the dealer discount was reduced from 8% to 6%. The rate increase could have contributed to the decrease in sales, but this tax historically fluctuates up and down because revenues are recognized when stamps are purchased by wholesalers who buy in bulk not when consumers purchase the individual packs. Meals tax revenues of \$1,448,159 increased \$183,396 over FY2014's total of \$1,264,762. Like the transient occupancy tax, some of

the increase is due to the elimination of the 3% dealer discount. The Town continues to dedicate one-third of the meals tax revenue (\$482,719) to the Pinewood Heights Relocation project to fund its portion of acquisition, relocation, and demolition expenditures. Franchise taxes decreased \$4382 in FY2015 due to a \$20,171 refund to Bank of America at the direction of the state to reimburse 3 years of overpayment. Without that refund, franchise taxes would have increased \$15,789 largely due to an increase in the Town's share of net capital value for BB&T (\$13,661) and Farmers Bank (\$7,571) offset by smaller increases and decreases in the remaining 3 banking institutions within the Town limits. Consumers' utility taxes increased only \$1,289 (.5%). Utility taxes are imposed and levied monthly on each purchase of natural gas or electricity delivered to consumers. These taxes tend to remain flat over time and should continue to do so until growth and development occur. Conversely, business license tax increased \$60,143 from prior year. A large portion of the increase is directly related to demolition and new construction by Riverside Health Systems to replace an existing nursing home with assisted living units. Vehicle license taxes are billed at the same time as personal property taxes although a decal is no longer required to be displayed on licensed vehicles. This tax increased \$13,765 from \$134,933 in FY2014 to \$148,698 in FY2015 which equates to collections on approximately 688 more vehicles.

Unrestricted revenue from use of money and property represents interest income, lease income, property rental income, event rental income, and special events labor reimbursement. Revenue in this category increased by \$34,337 from FY2014. Most notably, Smithfield Center Rentals (which includes Windsor Castle Park events) increased by \$25,091 as compared to a decrease of \$1,422 in the previous year. Special events labor reimbursements also increased \$6,900 and cover the Town's overtime costs generated by the police and public works departments for large events not sponsored by the Town government. Smaller increases of \$3,220 in interest income and \$1,965 in property rental income offset a \$2,840 decrease in kayak rentals.

Miscellaneous revenues for FY2015 totaled \$178,676 and are made up of insurance proceeds, sale of copies, returned check charges, accident report fees, safety grants, fingerprinting, grass cutting reimbursements for yard violations, capital credit refunds, museum gift shop sales and program/lecture fees, and contributions from outside businesses and organizations. The largest portion of this category for FY2015 was contributions totaling \$150,778 (84%) that included \$127,498 for Museum operations and \$22,150 for Windsor Castle's capital reserve. The Museum was formerly a department of Isle of Wight County and was slated to close at the end of FY2014 due to budget constraints. The Town of Smithfield opted to take over its operations while the County agreed to maintain the building. Contributions for the first year came from the Isle of Wight County Historic Society and the general public. The Town also received a contribution of \$61,075 from Isle of Wight County that represented the balance of funds previously generated by the Museum Gift Shop. Regarding the contributions for Windsor Castle, the locally formed Smithfield VA Events donated \$19,000 that was deposited in a dedicated escrow account to be used for future capital repairs and improvements. This money was generated by adding \$5 to each ticket sold for events at the park during the fiscal year and will be an ongoing source of funding for the upkeep of the park. The Town also received \$3,150 from Historic Smithfield towards the addition of a kayak shed on site.

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 \$240,795 is a fixed amount that is received in August of every year. Communications tax is collected by the Commonwealth of Virginia 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 tax collected and deductions applied by the state. Communications tax of \$236,038 for FY2015 decreased \$2,080 for FY2015 following a decrease of \$4,123 in the prior year. Short term rental taxes and rolling stock collectively totaled \$2,527.

Gain on disposal of assets of \$17,028 represents the sale of equipment and vehicles including four retired police vehicles, two retired public works vehicles, a utility trailer, and a zero turn mower.

Total expenditures for FY2015 governmental activities totaled \$7,652,328 compared to \$7,617,376 for FY2014, an increase of only \$34,952 (.4%). 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 \$38,960 over FY2014. Public safety and public works (including highway maintenance) are the largest cost centers and accounted for 45% of total costs which is consistent with FY2014's 47%. Public safety decreased by \$33,564 from the prior year as a result of offsetting increases and decreases in multiple expense line items. The Town increased salaries by a mandatory 1% to phase in a 5% contribution required for Plan 1 employees who participate in the Virginia Retirement System. The Town opted to spread the increase over a 5 year period and has two more years at 1% per year to bring all employees to the 5% required. An additional 1.5% cost of living adjustment was added for all employees including those that are part-time. Ironically, even with the total 2.5% increase for the year, public safety salaries decreased by \$33,549. The decrease resulted from the disability retirement of one full time employee whose position was reclassified as part-time and the resignation of two officers whose positions were later filled but included one entry level officer who subsequently attended the Hampton Roads Criminal Justice Training Academy. The Virginia Retirement System (VRS) contribution decreased \$93,340 for two reasons: 1) the Town's required portion was reduced 1% as part of the aforementioned 5% phase out and 2) the loss of the previously mentioned full time position was replaced by a part-time position and was therefore ineligible for VRS benefits. To counter the VRS decrease, the Town's E911 central dispatch contribution to Isle of Wight County increased by \$99,433. The majority of the increase was due to salary and technology increases for the year of which the Town's portion is 28.5%. Public Works ended the fiscal year with the most significant overall decrease in total expenses of \$100,560 from prior year. The largest portion of this decrease (\$58,096) is due to a drop in the Virginia Retirement System expenses for the highway fund in FY2015. In FY2014, the Town accrued \$51,459 as a payable to VRS to correct the Town's pension contribution for a previous enrollment error determined by audit. The public works contribution for VRS also decreased \$33,551 in FY2015 as the Town's required contribution dropped 1% and an adjustment was made to record the current year increase in net pension asset. Fuel costs also dropped \$7,780 as fuel prices fell significantly below projected budget for the year. Parks, recreation, and culture reflected an increase in expenditures of \$90,285 due to the addition of the Museum as a Town department in FY2015. Expenditures for Community Development increased \$34,323 over prior year. The Town contributed \$55,658 to Historic Smithfield using the remainder of its beautification funds for restoration of the old courthouse building and also spent \$106,173 more on the Pinewood Relocation Project than in prior year. Those increases were offset by a savings of \$148,240 in economic performance incentives that were earned in FY2014 by new businesses performing significant rehab work on properties previously purchased from the Town. Interest on long-term debt increased \$6,123 with the addition of a new loan of \$430,000 in FY2015 to purchase Isle of Wight County's portion (50%) of the old rescue squad building and subsequently renovate it for the Police Department to store evidence, vehicles and equipment as needed.

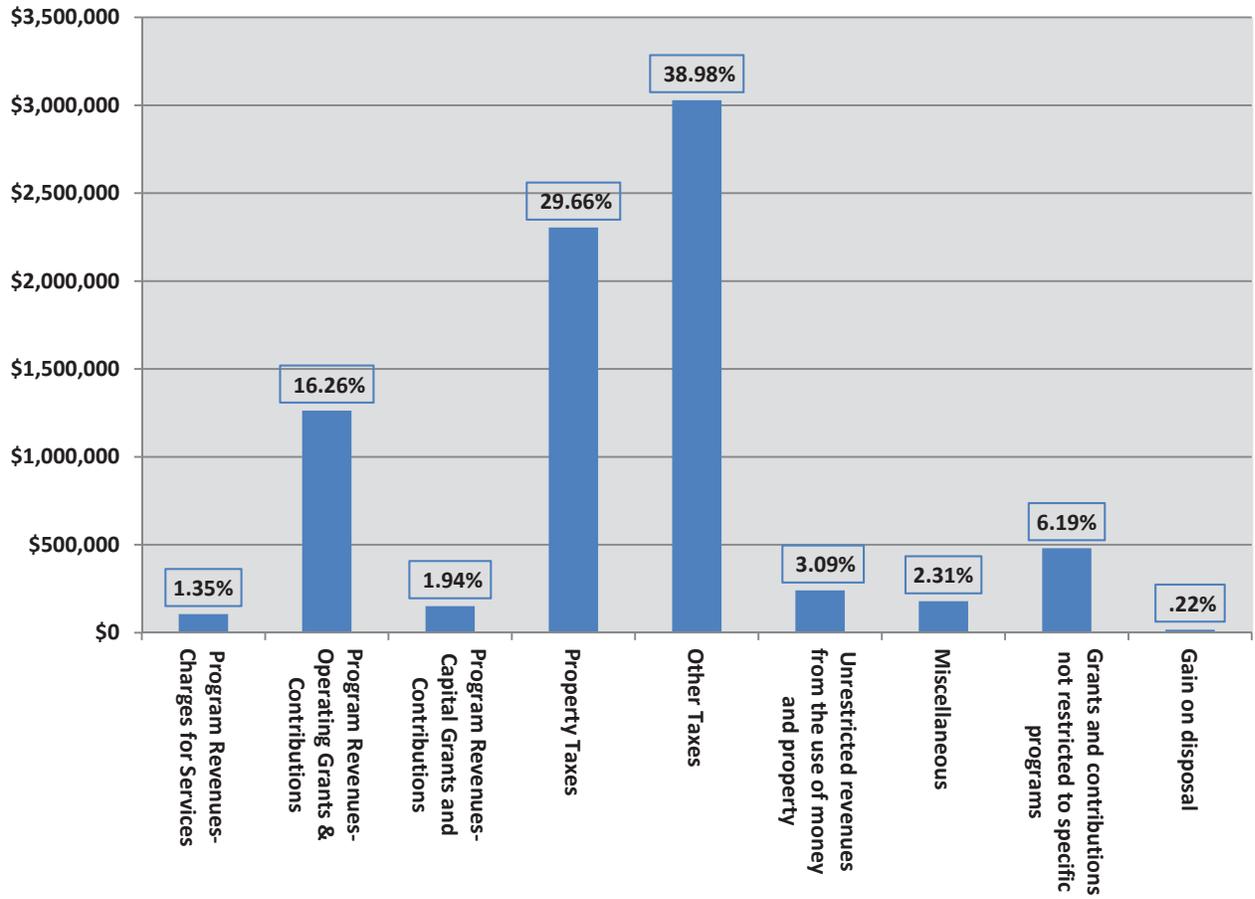
Business-type Activities. The business-type activities show an increase in net position of \$315,431 for FY2015 compared to restated FY2014. Program revenues included charges for services that increased \$10,267 and capital grants and contributions that increased \$33,225 over prior year. Included in charges for services are utility charges, bulk water sales, debt service fees, sewer compliance fees, and connection fees. Water and sewer billings remained flat from prior year with a slight increase of \$4,654 (less than 1%). Connection fees accounted for the largest portion of the increase (\$6,980) and reflected the installation of 24 residential meters (5/8") as compared to 19 in FY2014. Debt service fees and sewer compliance fees are fixed costs that are not dependent upon consumption and therefore tend to remain stable unless there is a significant change in the number of accounts as occurs with growth. Capital grants and contributions include availability fees, pro-rata share fees, and contributed revenue. Like connection fees, availability fees are tied directly to growth and are collected at the same time as connection fees. Also like connection fees, the charge is based on meter size. Availability fees increased from \$140,640 in FY2014 to \$160,040 in FY2015 as 5 more residential meters were installed. Availability fees are deposited into the Water and Sewer Capital Escrow Funds and are used for capital maintenance on existing infrastructure and to finance new infrastructure when needed. Pro-rata share fees increased notably from \$16,000 in 2014 to \$28,725 in current year. These fees are paid by developers at the time that plats are recorded and are assessed at \$800 for water and \$800 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. The Town

also received \$22,829 in contributed revenue from Smithfield Foods as reimbursement for a loan that was incurred in 1996 to finance a pump station critical to their operations. This loan will mature on November 1, 2015. 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 increased \$1,590 which was an improvement over the \$876 decrease in FY2014. While interest rates remained low, capital costs also decreased particularly in the sewer fund as consent order activity slowed while a regionalization study was completed. Miscellaneous revenues of \$15,663 represent application fees for water service (\$9,404), returned check charges (\$100), insurance recoveries (\$4,997) and sales of inventory items (\$1,162) to contractors for items such as meter boxes, line setters, check valves, and shear guards.

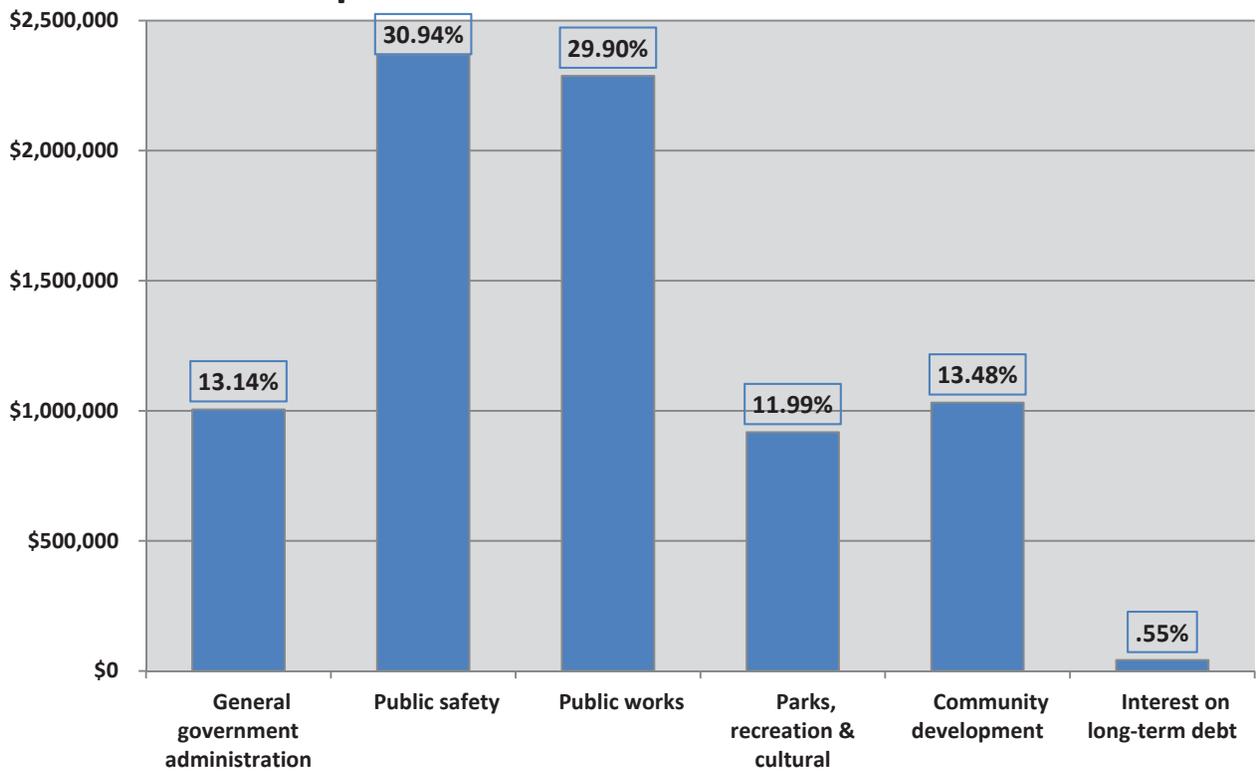
Utility expenses increased \$10,028 from FY2014 with water increasing \$119,232 and sewer decreasing \$109,204. The largest increases in the water fund were in the operating costs of the water treatment plant (\$36,364), materials and supplies (\$36,674), bond issue costs (\$25,968) and professional services (\$9,845). Monthly fees paid to the Hampton Roads Sanitation District (HRSD) increased \$34,493 for waste discharge generated by the water treatment plant. Part of that increase was due to an increase in the HRSD charge per CCF from \$3.55 to \$3.83 but the gallons treated also increased from 44,960,296 to 48,410,294. An adjustment of \$22,672 was posted against materials and supplies to record the decrease in inventory as of June 30, 2015. The majority of the inventory change resulted from installation of replacement radio read meters throughout the year. Meter change outs are an ongoing function of the department as the meters break or age out due to technology updates. The Town also refinanced two of its utility general obligation bonds in FY2015 which accounts for the \$25,968 in bond issue costs recorded for the year. Professional services of \$38,392 were incurred as a continuance of work begun in FY2014 to determine alternative waste discharge methods to potentially lower the cost of operating the water treatment plant. Sewer expenses decreased for the third year in a row largely because of a drop in depreciation expense of \$134,423 as a number of fixed items were fully depreciated in FY2014.

The Town's current utility rate structure is based on "usage only" with some fixed costs added to address sewer compliance and water debt service expenses. The Town's current sewer rate was adopted as of January 1, 2012 and is billed at \$3.50 per 1,000 gallons used. In addition, a fixed cost of \$24.14 is added on each bi-monthly bill for sewer compliance expenses. On July 1, 2013, the Town Council adopted a water rate of \$5.68 per 1,000 gallons used. At the same time they also approved a reduction in the fixed bi-monthly debt service fee from \$19.30 to \$8.95. The consumption and resulting utility revenues are presented to the finance committee each month with the financial statements to ensure that revenues are sufficient to meet both operating and capital needs.

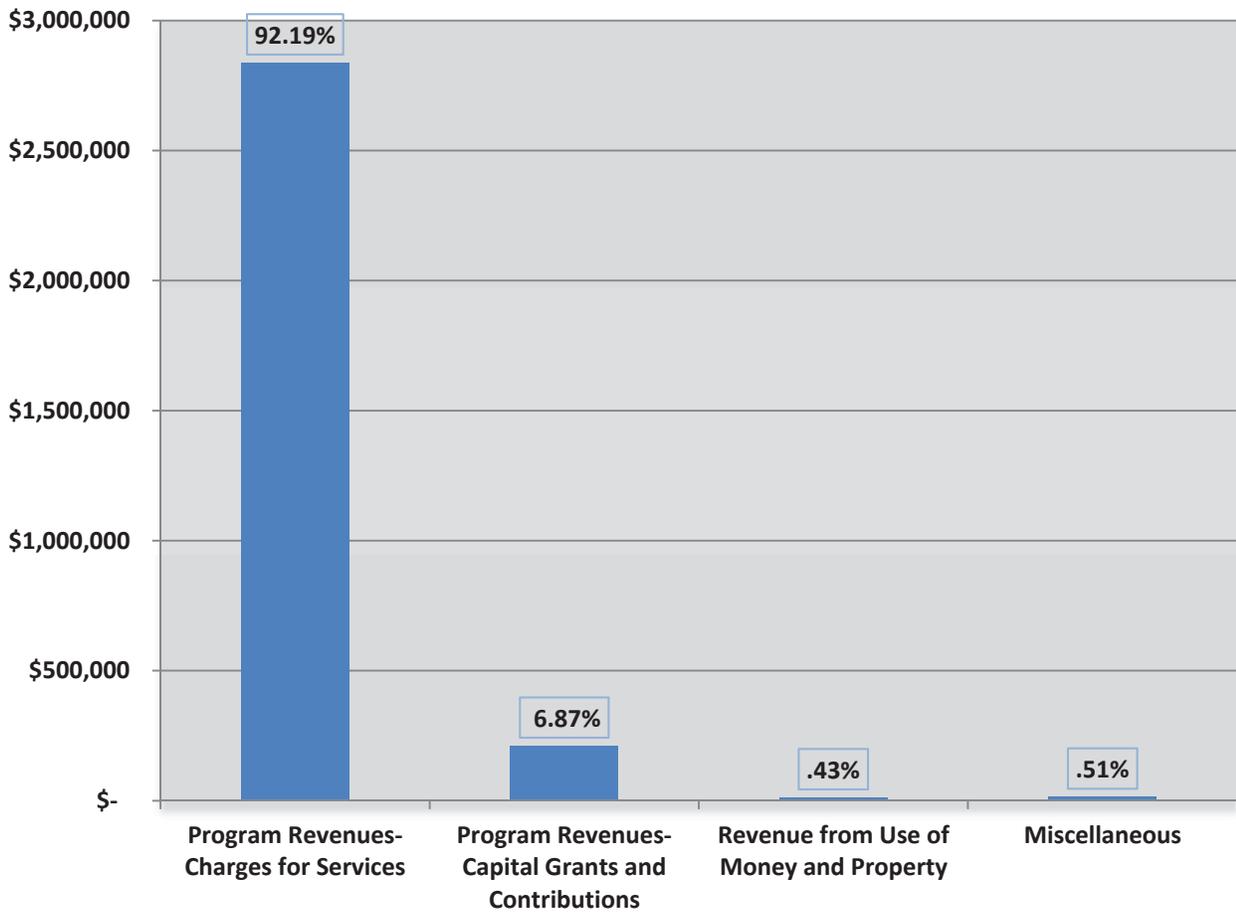
Revenues by Sources-Governmental Activities



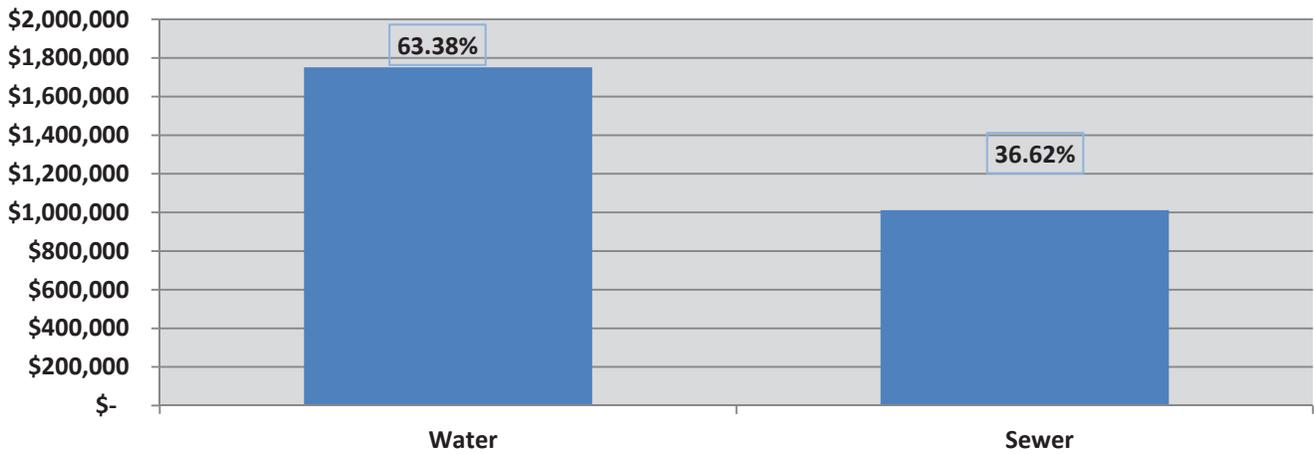
Expenses - Governmental Activities



Revenues by Sources-Business Activities



Expenses - Business Activities



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 \$5,758,274 for FY2015, of which \$37,522 is nonspendable, \$144,384 is committed, \$130,778 is restricted, \$91,980 is assigned and \$5,353,610 is unassigned. This was a 13% increase from FY2014 which had a total fund balance of \$5,109,881.

General Fund. The general fund is the Town's primary operating fund for all governmental activities. Total fund balances for FY2015 equal \$5,666,294 and are made up of nonspendable fund balances of \$37,522, committed fund balances of \$125,834, restricted fund balances of \$130,778, and unassigned fund balances of \$5,410,132. The unassigned fund balance was \$4,878,078 in FY2014. In FY2015, assets increased \$532,054 (particularly cash and cash equivalents \$498,055) while liabilities only increased \$55,848 and unavailable revenue from property taxes decreased \$78,920. Loan proceeds that were carried into FY2015 and contributions received for museum operations contributed to the increase in assets.

Highway Maintenance Fund. The highway maintenance fund is used to track receipts from the state that are specifically designated for road maintenance and to identify allowable expenses that may be charged against state revenue. Assigned fund balances for FY2015 totaled \$83,872 which is an increase of \$45,808 from FY2014. Ideally, the fund balance of highway maintenance should be small because grant funds from the state should be expensed in the same year they are allocated. In FY2015, the Town had \$154,269 in state funds available to be carried forward into FY2016 due to a delay in a large overlay project to be addressed at the beginning of FY2016.

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 2015, the total assets of the proprietary funds equaled \$22,597,129 which is less than a 2% increase over FY2014's total of \$22,182,838. Restricted assets of \$2,231,843 increased \$438,368 from prior year as sewer compliance spending decreased in FY2015 with the Town's focus shifting towards "find and fix" projects as opposed to engineering & modeling as a result of the regional study completed by the Hampton Roads Sanitation District (HRSD). Conversely, total capital assets decreased \$481,795 as accumulated depreciation increased by \$749,664 with only a \$267,869 increase in gross asset value. A net pension asset of \$200,397 was also recorded as required by GASB 68 Accounting and Financial Reporting for Pensions.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's FY2015 budget was adopted by Town Council at a special meeting held on June 23, 2014. It was appropriated at the July 1, 2014 Town Council meeting. An amended budget was presented and adopted on June 2, 2015. The amended budget reflected an increase of \$836,800 (10%) including reserves over the previously adopted budget. This change was mainly due to an increase of \$384,483 in other financing sources. Contributions increased by \$97,707 to reflect contributions for the Isle of Wight County Museum (\$93,927), Windsor Castle Park (\$3,150), and Public Safety (\$1,030) with a slight reduction (-\$400) in Community Help in Progress (CHIP). The Town also increased its note proceeds by \$430,000 for a loan to finance the Town's purchase of Isle of Wight County's 50% share of the old rescue squad building and the necessary renovations to store police evidence and equipment at the site. The budget for line of credit proceeds was decreased by \$200,000 as the Pinewood Heights Relocation Project progressed slowly during the first part of the fiscal year making a borrowing unlikely for the remainder of the year. Also included in

other financing sources was an increase of \$55,658 in reserve funds to recognize the Town's donation of its remaining beautification funds towards the restoration of the 1750 Courthouse. Other notable changes included an increase in budgeted revenue from the federal government of \$131,850 for expected CDBG reimbursement for the Pinewood Heights Relocation Project that ironically did not materialize during the year. The reimbursement of \$125,800 fell significantly below the original budget of \$375,280. The approved CDBG budget provided reimbursement for owner acquisitions and relocations but the majority of activity in FY2015 was landlord and tenant related and therefore ineligible for reimbursement. The only other significant change in 2015 budgeted general fund revenues was a carry forward of \$108,461 in road maintenance funds from FY2014 as well as an increase in 2015 road maintenance funds of \$34,331. While the Town strives to avoid a carry forward of state highway grant funds, weather events, contractor availability, and staff review of projects sometimes delays scheduled work. Those remaining funds from FY2014 were used in the first quarter of 2015 mainly to address ditching and manhole repair work. One smaller change included an increase of \$63,588 in meals tax revenues. This increase partially resulted from the fact that the 3% discount previously allowed to the retail establishments for collecting the tax was removed. Meal tax increases may also be attributed to the continued popularity of local restaurants including the opening of at least one new establishment in 2015 and the rehab and reopening of other previously existing establishments.

Total budgeted departmental operating expenses for FY2015 increased \$319,162 with several notable fluctuations both up and down. General government increased \$67,246 with the most significant increases to legal fees (\$14,000) for charges related to annexation and employee benefits and professional services (\$43,500) for engineering costs related to Pinewood Heights infrastructure and building appraisals and project management related to the old rescue squad building. Offsetting the general government increase, public safety decreased by \$62,181 to reflect savings in communications (\$12,000), fuel (\$30,000) and police grant expenses (\$22,500). The largest budget amendment, an increase of \$468,637, was made to Community Development to reflect the remainder of Phase II MY1 expenses for the Pinewood Heights Relocation Project that were not completed in FY2014 as expected and to reflect the contribution of \$55,658 to Historic Smithfield for the 1750 Courthouse restoration. Lastly, the budget for debt service decreased \$194,613 with the reduction in principal and interest for expected line of credit draw downs for the Pinewood Heights Development Project and only a slight offset in principal and interest (\$10,227) for payment on the \$430,000 note for the acquisition and renovation of the old rescue squad building. Budgeted capital outlay increased \$374,846 in the amended budget with the largest changes in Planning, Engineering, and Public Works (\$50,843), Public Buildings (\$256,770), and Community Development (\$60,000). The increase in Planning, Engineering, and Public Works was made to reflect the purchase of a land parcel at Commerce and Main Street to be used for public parking and pump station access. The Public Buildings increase of \$256,770 also was made to reflect the purchase of Isle of Wight County's 50% ownership in the old rescue squad building (\$255,000) which then gave the Town 100% ownership in the property. The budget for community development capital expenses was increased \$60,000 for anticipated land acquisitions related to the Pinewood Heights Relocation Project. As with the CDBG reimbursements, the project met with delays and the actual expenditures of \$60,000 fell below even the original budget of \$96,000. The 2015 road maintenance budget expenditures was increased by \$142,792 to reflect an increase in allowable grant funds for FY2015 (\$34,331) and the carry forward of remaining FY2014 funds (108,461).

PROPRIETARY FUND BUDGETARY HIGHLIGHTS

The budget for proprietary funds was revised during FY2015 to reflect a net income of \$238,895 after contributions compared to the original budget which reflected a loss of \$3,655. Operating revenue increased by \$69,981 (2.51%) with the most significant changes in water and sewer charges for services (\$39,185) and connection fees (\$22,400). These increases indicated increases in consumption that at least partially were made by increases in the number of consumers. Connection fees were budgeted at 15 for both water and sewer, but the actual number of connections was 25 for water and 23 for sewer. The amended budgets were very close to actual exceeding budget by \$8,348. Budgetary operating expenses increased \$85,046 (4.72%) with \$57,601 (4.60%) attributable to water and \$27,445 (5.01%) to sewer. The water budget for professional services was increased \$50,750 to reflect engineering services for discharge alternatives for the water treatment (RO) plant as well as general review of the Department of Environmental Quality (DEQ) required well nest site. The sewer budget revision reflected a \$15,000

increase in professional fees for consent order review, annual meetings, and reporting and as well as an increase of \$13,125 for maintenance and repairs for the pump stations that included replacement impellers, troubleshooting, and brush cutting for utility easements. Budgeted bad debt and depreciation expenses also decreased by \$167,500. The water and sewer budgets for bad debt expenses totaled \$12,500 in the original budget but were removed in the revised budget. Instead of directly writing off bad debt in FY2015, an allowance calculation was made for bad debt. Also, the depreciation expense decreased \$25,000 for water and \$130,000 for sewer as both funds' actual capital expenditures were trending below expected costs towards the end of the fiscal year. The budget for non-operating revenue and expenses was increased by \$90,115 to reflect increases in the availability fees (\$68,400) that are paid at the same time as connection fees as well as pro-rata share fees (\$23,925) that were not originally budgeted. Pro-rata share fees were paid by developers for 9 lots during FY2015. Pro-rata share fees are paid at the time that plats are recorded. Availability fees are based on connections and meter size and were originally budgeted at 15 but were adjusted to reflect a budget of 25.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of FY2015, the Town's investment in capital assets for its governmental and business-type activities totaled \$35,876,882 net of accumulated depreciation. This is a decrease of \$626,089 from FY2014. Of this decrease, \$144,294 originated from governmental activities and \$481,795 from business-type activities. In both cases, depreciation expense and retirement of assets exceeded the value of new capital assets for the year. The Town's investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, art collection and construction in progress. The Town owns roads, streetlights, and other highway infrastructure that has been included in this report.

Major capital asset events during the 2015 fiscal year included the following:

- Purchased four new police vehicles and one public works vehicle
- Purchased 4 land parcels in Phase II MY1 and 1 land parcel in Phase II MY2 of the Pinewood Heights Redevelopment Project
- Purchased Isle of Wight County's 50% share of the old rescue squad building giving the Town 100% ownership.
- Purchased parcel at bottom of Wharf Hill (Main & Commerce) to provide additional public parking
- Installed Godwin bypass pump at the Main Street Pump Station
- Disposed of 4 police vehicles, 3 public works trucks, a trailer, and a zero turn mower by selling all but one of the public works vehicles.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 8,269,679	\$ 8,156,836	\$ 204,481	\$ 204,481	\$ 8,474,160	\$ 8,361,317
Building and system	3,852,325	3,761,566	8,036,031	8,300,392	11,888,356	12,061,958
Improvements other than buildings	1,002,985	1,070,480	111,315	118,077	1,114,300	1,188,557
Machinery & equipment	424,824	401,790	2,828,846	2,884,985	3,253,670	3,286,775
Vehicles	364,994	359,892	122,344	138,853	487,338	498,745
Infrastructure	6,420,008	6,727,157	3,938,887	3,991,779	10,358,895	10,718,936
Art collections	10,653	12,041	-	-	10,653	12,041
Contruction in progress	2,079	2,079	287,431	372,563	289,510	374,642
Total	\$ 20,347,547	\$ 20,491,841	\$ 15,529,335	\$ 16,011,130	\$ 35,876,882	\$ 36,502,971

Additional details on the Town's capital assets can be found in Note 7 of the Notes to Financial Statements.

Debt Administration. Outstanding debt for the Town at fiscal year-end 2015 totaled \$4,759,853 of which \$1,198,316 originated from governmental activities and the remaining \$3,561,537 from business-type activities. The Town did issue new general fund debt during FY2015 adding a note for \$434,300 to fund the purchase of the old rescue squad building and renovations to make it suitable to house police evidence, equipment, and vehicles. Two general obligation bonds were also refinanced in the business enterprise funds with expected savings of \$389,493 over the remaining 7 year lives of the loans. The Town's ratio of net bonded debt to total assessed value of taxable property increased slightly from .05% for the last four years to .08% in 2015.

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 and 10 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, 2015**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 559,252	\$ 580,825	\$ 3,514,667	\$ 3,826,491	\$ 4,073,919	\$ 4,407,316
Notes payable	462,990	52,609	11,837	34,670	474,827	87,279
Compensated absences	176,074	169,165	35,033	28,379	211,107	197,544
Total	\$ 1,198,316	\$ 802,599	\$ 3,561,537	\$ 3,889,540	\$ 4,759,853	\$ 4,692,139

ECONOMIC FACTORS

In fiscal year 2015, the Town of Smithfield agreed to fund the operations of the Isle of Wight County Museum, founded in 1976, in order to avoid its closure. The museum sits on the corner of Main Street and South Church Street in the heart of the historic district and is dedicated to the preservation of county history. It has always been popular with tourists, but its importance to local residents became evident by the number of concerned citizens who donated money to support the first year transition and ease the impact to the Town's budget. Events at Windsor Castle Park, specialty markets on Main Street, and numerous other fund raisers and attractions continued to grow beyond expectations. Work continued on prior commitments such as the Pinewood Heights Relocation Project, but Town Council also turned its attention to maintaining and enhancing the Town's assets. Thus in FY2015, the Town invested significantly in architectural and engineering services. Those services focused on preservation of the Windsor Castle Park manor house and outbuildings, possible alternatives for waste discharge from the RO plant, storm water and sewer infrastructure for the Pinewood Heights area, design and feasibility of a potential ball field complex, review of the Waterworks Dam for needed repairs, and renovation of the old rescue squad building to provide proper storage for police evidence and equipment. All of these projects will carry forward into FY2016 guaranteeing another busy year for Town Council, staff, and interested citizens. Managed growth became a huge concern for citizens during 2015 with developers now showing interest in projects that had been on hold for years. The economic outlook for the Town of Smithfield is very promising but will bring challenges as Town Council looks to balance progress so that services and quality of life are not compromised.

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 2014. 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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,502,465	\$ 3,656,112	\$ 8,158,577
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,782,780	-	1,782,780
Accounts receivable	302,962	616,952	919,914
Interest receivable	77	-	77
Unearned incentive	205,000	-	205,000
Internal balances	1,402,257	(1,402,257)	-
Due from other governmental units	152,072	5,363	157,435
Inventories	37,522	128,840	166,362
Restricted assets:			
Cash and cash equivalents	130,778	2,231,843	2,362,621
Net pension asset	928,339	200,395	1,128,734
Capital assets (net of accumulated depreciation):			
Land	8,269,679	204,481	8,474,160
Buildings and system	3,852,325	8,036,031	11,888,356
Improvements other than buildings	1,002,985	111,316	1,114,301
Machinery and equipment	424,824	2,828,845	3,253,669
Vehicles	364,994	122,344	487,338
Infrastructure	6,420,008	3,938,887	10,358,895
Art collections	10,653	-	10,653
Construction in progress	2,079	287,431	289,510
Total assets	\$ 29,791,799	\$ 20,966,583	\$ 50,758,382
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ -	\$ 38,566	\$ 38,566
Pension contributions subsequent to measurement date	140,484	30,325	170,809
Total deferred outflows of resources	\$ 140,484	\$ 68,891	\$ 209,375
LIABILITIES			
Accounts payable	\$ 302,734	\$ 104,226	\$ 406,960
Accrued liabilities	56,534	-	56,534
Accrued wages & payroll liabilities	140,649	29,040	169,689
Customer deposits	-	116,887	116,887
Accrued interest payable	1,023	64,535	65,558
Due to other governmental units	226,555	-	226,555
Due to taxpayers	47,603	-	47,603
Long-term liabilities:			
Due within one year	147,265	501,304	648,569
Due in more than one year	1,051,051	3,060,233	4,111,284
Total liabilities	\$ 1,973,414	\$ 3,876,225	\$ 5,849,639
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 1,743,624	\$ -	\$ 1,743,624
Items related to measurement of net pension liability	393,003	84,836	477,839
Total deferred inflows of resources	\$ 2,136,627	\$ 84,836	\$ 2,221,463
NET POSITION			
Net investment in capital assets	\$ 19,325,305	\$ 12,041,397	\$ 31,366,702
Restricted:			
Town beautification	13,527	-	13,527
Pinewood Heights escrow	42,220	-	42,220
South Church Street projects	35,911	-	35,911
SNAP program	2,372	-	2,372
Police department expenditures	36,748	-	36,748
Debt service	-	1,072,230	1,072,230
Sewer compliance	-	1,046,154	1,046,154
Unrestricted	6,366,159	2,914,632	9,280,791
Total net position	\$ 25,822,242	\$ 17,074,413	\$ 42,896,655

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,003,355	\$ -	\$ -	\$ -
Public safety	2,364,059	64,342	193,065	-
Public works	2,287,246	-	1,064,797	-
Parks, recreation, and cultural	916,654	-	5,000	-
Community development	1,039,243	41,506	492	150,800
Interest on long-term debt	41,771	-	-	-
Total governmental activities	\$ 7,652,328	\$ 105,848	\$ 1,263,354	\$ 150,800
Business-type activities:				
Water	\$ 1,751,634	\$ 1,624,519	\$ -	\$ 78,080
Sewer	1,011,978	1,214,154	-	133,514
Total business-type activities	\$ 2,763,612	\$ 2,838,673	\$ -	\$ 211,594
Total primary government	\$ 10,415,940	\$ 2,944,521	\$ 1,263,354	\$ 362,394

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

Gain on disposal of capital assets

Total general revenues

Change in net position

Net position - beginning, as restated

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
\$ (1,003,355)	\$ -	\$ (1,003,355)
(2,106,652)	-	(2,106,652)
(1,222,449)	-	(1,222,449)
(911,654)	-	(911,654)
(846,445)	-	(846,445)
(41,771)	-	(41,771)
<u>\$ (6,132,326)</u>	<u>\$ -</u>	<u>\$ (6,132,326)</u>
\$ -	\$ (49,035)	\$ (49,035)
-	335,690	335,690
<u>\$ -</u>	<u>\$ 286,655</u>	<u>\$ 286,655</u>
<u>\$ (6,132,326)</u>	<u>\$ 286,655</u>	<u>\$ (5,845,671)</u>
\$ 2,304,590	\$ -	\$ 2,304,590
313,161	-	313,161
405,116	-	405,116
198,125	-	198,125
1,448,159	-	1,448,159
153,317	-	153,317
148,698	-	148,698
362,276	-	362,276
239,991	13,117	253,108
178,676	15,663	194,339
480,541	-	480,541
17,028	-	17,028
<u>\$ 6,249,678</u>	<u>\$ 28,780</u>	<u>\$ 6,278,458</u>
\$ 117,352	\$ 315,435	\$ 432,787
25,704,890	16,758,978	42,463,868
<u>\$ 25,822,242</u>	<u>\$ 17,074,413</u>	<u>\$ 42,896,655</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 As of June 30, 2015

	General	Highway Maintenance	Capital Projects	Total
ASSETS				
Cash and cash equivalents (Note 2)	\$ 4,404,163	\$ 98,302	\$ -	\$ 4,502,465
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	1,782,780	-	-	1,782,780
Accounts receivable	302,962	-	-	302,962
Interest receivable	77	-	-	77
Due from other funds	1,409,788	126,119	8,151	1,544,058
Due from other governmental units (Note 3)	152,072	-	-	152,072
Inventories	37,522			37,522
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	130,778	-	-	130,778
Total assets	\$ 8,220,142	\$ 224,421	\$ 8,151	\$ 8,452,714
LIABILITIES				
Accounts payable	\$ 232,742	\$ 69,992	\$ -	\$ 302,734
Accrued wages & payroll liabilities	129,039	11,610	-	140,649
Other accrued liabilities	5,075	51,459	-	56,534
Due to other funds	134,270	7,488	43	141,801
Due to other governmental units (Note 3)	226,555	-	-	226,555
Refunds to taxpayers	47,603	-	-	47,603
Total liabilities	\$ 775,284	\$ 140,549	\$ 43	\$ 915,876
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 1,778,564	\$ -	\$ -	\$ 1,778,564
FUND BALANCE				
Inventory	\$ 37,522	\$ -	\$ -	\$ 37,522
Restricted:				
Town beautification	\$ 13,527	\$ -	\$ -	\$ 13,527
Pinewood Heights escrow	42,220	-	-	42,220
South Church Street projects	35,911	-	-	35,911
SNAP program	2,372	-	-	2,372
Police department expenditures	36,748	-	-	36,748
Total restricted fund balance	\$ 130,778	\$ -	\$ -	\$ 130,778
Committed:				
Special projects	\$ 19,984	\$ -	\$ -	\$ 19,984
Windsor Castle	19,000	-	-	19,000
Museum	105,400	-	-	105,400
Total committed fund balance	\$ 144,384	\$ -	\$ -	\$ 144,384
Assigned:				
Highway maintenance	\$ -	\$ 83,872	\$ -	\$ 83,872
Capital projects	-	-	8,108	8,108
Total assigned fund balance	\$ -	\$ 83,872	\$ 8,108	\$ 91,980
Unassigned	\$ 5,353,610	\$ -	\$ -	\$ 5,353,610
Total fund balances	\$ 5,666,294	\$ 83,872	\$ 8,108	\$ 5,758,274
Total liabilities, deferred inflows of resources and fund balances	\$ 8,220,142	\$ 224,421	\$ 8,151	\$ 8,452,714

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, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,758,274	
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.			20,347,547
The net pension asset is not an available resource and, therefore, is not reported in the funds.			928,339
Pension contributions subsequent to the measurement date will be a reduction to the net pension asset in the next fiscal year and, therefore, are not reported in the funds.			140,484
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	\$	34,940	
Items related to measurement of net pension asset		(393,003)	
Unearned incentive allowance		<u>205,000</u>	(153,063)
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(1,023)
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 and notes payable	\$	(1,022,242)	
Compensated absences		<u>(176,074)</u>	<u>(1,198,316)</u>
Net position of governmental activities	\$		<u><u>25,822,242</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2015

	General	Highway Maintenance	Capital Projects	Total
REVENUES				
General property taxes	\$ 2,410,696	\$ -	\$ -	\$ 2,410,696
Other local taxes	3,028,852	-	-	3,028,852
Permits, privilege fees, and regulatory licenses	41,506	-	-	41,506
Fines and forfeitures	64,342	-	-	64,342
Revenue from the use of money and property	239,829	162	-	239,991
Miscellaneous	178,676	-	-	178,676
Intergovernmental:				
Commonwealth	678,760	1,061,479	-	1,740,239
Federal	154,456	-	-	154,456
Total revenues	<u>\$ 6,797,117</u>	<u>\$ 1,061,641</u>	<u>\$ -</u>	<u>\$ 7,858,758</u>
EXPENDITURES				
Current:				
General government administration	\$ 992,342	\$ -	\$ -	\$ 992,342
Public safety	2,269,098	-	-	2,269,098
Public works	923,488	1,019,833	-	1,943,321
Parks, recreation, and cultural	750,219	-	-	750,219
Community development	1,039,243	-	-	1,039,243
Capital projects	588,277	-	-	588,277
Debt service:				
Principal retirement	45,492	-	-	45,492
Interest and other fiscal charges	40,748	-	-	40,748
Total expenditures	<u>\$ 6,648,907</u>	<u>\$ 1,019,833</u>	<u>\$ -</u>	<u>\$ 7,668,740</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 148,210</u>	<u>\$ 41,808</u>	<u>\$ -</u>	<u>\$ 190,018</u>
OTHER FINANCING SOURCES (USES)				
Issuance of note payable	\$ 434,300	\$ -	\$ -	\$ 434,300
Sale of equipment	20,075	4,000	-	24,075
Total other financing sources (uses)	<u>\$ 454,375</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 458,375</u>
Net change in fund balances	\$ 602,585	\$ 45,808	\$ -	\$ 648,393
Fund balances - beginning	<u>5,063,709</u>	<u>38,064</u>	<u>8,108</u>	<u>5,109,881</u>
Fund balances - ending	<u>\$ 5,666,294</u>	<u>\$ 83,872</u>	<u>\$ 8,108</u>	<u>\$ 5,758,274</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, 2015

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

Net change in fund balances - total governmental funds	\$	648,393
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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	\$	623,375	
Depreciation expense		<u>(760,622)</u>	(137,247)

The net effect of various miscellaneous transactions involving capital assets (i.e, sales and donations) is to decrease net position.	(7,047)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax revenue	\$	(106,106)	
Change in deferred inflows of resources related to the measurement of the net pension asset		<u>(393,003)</u>	(499,109)

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:

Proceeds from the issuance of note payable	\$	(434,300)	
Principal retired on general obligation bonds and notes		<u>45,492</u>	(388,808)

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.

(Increase)/decrease in compensated absences	\$	(6,909)	
(Increase) decrease in net pension asset		553,973	
Increase (decrease) in deferred outflows of resources related to pension payments subsequent		(44,871)	
(Increase)/decrease in accrued interest payable		<u>(1,023)</u>	<u>501,170</u>

Change in net position of governmental activities	\$	<u><u>117,352</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, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,009,921	\$ 1,646,191	\$ 3,656,112
Receivables, net of allowances for uncollectibles accounts	343,865	273,087	616,952
Due from other funds	3,607	224,682	228,289
Due from other governmental units	-	5,363	5,363
Inventory	107,945	20,895	128,840
Total current assets	\$ 2,465,338	\$ 2,170,218	\$ 4,635,556
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 1,185,689	\$ 1,046,154	\$ 2,231,843
Total restricted assets	\$ 1,185,689	\$ 1,046,154	\$ 2,231,843
Net pension asset	\$ 81,210	\$ 119,185	\$ 200,395
Capital assets:			
Land	\$ 194,391	\$ 10,090	\$ 204,481
Improvements other than buildings	115,140	20,087	135,227
Vehicles	88,081	264,206	352,287
Buildings	7,394,018	4,192,193	11,586,211
Machinery and equipment	1,825,992	3,006,148	4,832,140
Infrastructure	3,060,579	7,733,069	10,793,648
Construction in progress	2,079	285,352	287,431
Accumulated depreciation	(3,315,247)	(9,346,843)	(12,662,090)
Total capital assets	\$ 9,365,033	\$ 6,164,302	\$ 15,529,335
Total noncurrent assets	\$ 10,631,932	\$ 7,329,641	\$ 17,961,573
Total assets	\$ 13,097,270	\$ 9,499,859	\$ 22,597,129
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 38,566	\$ -	\$ 38,566
Pension contributions subsequent to measurement date	12,289	18,036	30,325
Total deferred outflows of resources	\$ 50,855	\$ 18,036	\$ 68,891
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 89,551	\$ 14,675	\$ 104,226
Accrued payroll	17,162	11,878	29,040
Customer deposits	116,887	-	116,887
Accrued interest payable	60,994	3,541	64,535
Due to other funds	953,474	677,072	1,630,546
Compensated absences - current portion	6,107	3,533	9,640
Bonds payable - current portion	381,887	109,777	491,664
Total current liabilities	\$ 1,626,062	\$ 820,476	\$ 2,446,538
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 2,370,840	\$ 664,000	\$ 3,034,840
Compensated absences - net of current portion	15,140	10,253	25,393
Total noncurrent liabilities	\$ 2,385,980	\$ 674,253	\$ 3,060,233
Total liabilities	\$ 4,012,042	\$ 1,494,729	\$ 5,506,771
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 34,380	\$ 50,456	\$ 84,836
Total deferred inflows of resources	\$ 34,380	\$ 50,456	\$ 84,836
NET POSITION			
Net investment in capital assets	\$ 6,650,872	\$ 5,390,525	\$ 12,041,397
Restricted	1,072,230	1,046,154	2,118,384
Unrestricted	1,378,601	1,536,031	2,914,632
Total net position	\$ 9,101,703	\$ 7,972,710	\$ 17,074,413
Total liabilities, deferred outflows of resources and net position	\$ 13,148,125	\$ 9,517,895	\$ 22,666,020

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, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,434,504	\$ 1,214,154	\$ 2,648,658
Charges for services-debt service	190,015	-	190,015
Miscellaneous	15,540	123	15,663
Total operating revenues	<u>\$ 1,640,059</u>	<u>\$ 1,214,277</u>	<u>\$ 2,854,336</u>
OPERATING EXPENSES			
Personnel services	\$ 384,308	\$ 241,053	\$ 625,361
Employee benefits	70,266	42,972	113,238
Contractual	65,154	34,452	99,606
Maintenance, repairs, and truck operations	124,791	63,821	188,612
RO Plant	465,050	-	465,050
Utilities	12,106	57,532	69,638
Supplies	81,111	44,824	125,935
Other charges	56,841	42,871	99,712
Depreciation	333,332	439,631	772,963
Total operating expenses	<u>\$ 1,592,959</u>	<u>\$ 967,156</u>	<u>\$ 2,560,115</u>
Operating income (loss)	<u>\$ 47,100</u>	<u>\$ 247,121</u>	<u>\$ 294,221</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 7,553	\$ 5,564	\$ 13,117
Bond issuance costs	(25,968)	(15,598)	(41,566)
Interest expense and other fiscal charges	(132,707)	(29,224)	(161,931)
Total nonoperating revenues (expenses)	<u>\$ (151,122)</u>	<u>\$ (39,258)</u>	<u>\$ (190,380)</u>
Income (loss) before contributions	<u>\$ (104,022)</u>	<u>\$ 207,863</u>	<u>\$ 103,841</u>
Contributed capital - availability fees	\$ 65,280	\$ 94,760	\$ 160,040
Contributed capital - development impact fees	12,800	15,925	28,725
Contributed capital - VA revolving loan	-	22,829	22,829
Change in net position	<u>\$ (25,942)</u>	<u>\$ 341,377</u>	<u>\$ 315,435</u>
Total net position - beginning, as restated	<u>9,127,645</u>	<u>7,631,333</u>	<u>16,758,978</u>
Total net position - ending	<u>\$ 9,101,703</u>	<u>\$ 7,972,710</u>	<u>\$ 17,074,413</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,717,325	\$ 1,185,501	\$ 2,902,826
Payments to suppliers	(800,977)	70,034	(730,943)
Payments to and on behalf of employees	(458,065)	(295,202)	(753,267)
Net cash provided by (used for) operating activities	\$ 458,283	\$ 960,333	\$ 1,418,616
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (18,248)	\$ (272,923)	\$ (291,171)
Capital contributions	78,080	133,514	211,594
Payments to refund bonds	(2,307,985)	(730,400)	(3,038,385)
Retirements of long-term indebtedness	(337,973)	(101,683)	(439,656)
Proceeds from indebtedness	2,338,060	761,940	3,100,000
Interest payments	(116,153)	(35,819)	(151,972)
Bond issuance costs	(25,968)	(15,598)	(41,566)
Net cash provided by (used for) capital and related financing activities	\$ (390,187)	\$ (260,969)	\$ (651,156)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 7,553	\$ 5,564	\$ 13,117
Net cash provided by (used for) investing activities	\$ 7,553	\$ 5,564	\$ 13,117
Net increase (decrease) in cash and cash equivalents	\$ 75,649	\$ 704,928	\$ 780,577
Cash and cash equivalents - beginning, including restricted cash and cash equivalents of \$1,212,185 and \$581,290	3,119,961	1,987,417	5,107,378
Cash and cash equivalents - ending, including restricted cash and cash equivalents of \$1,185,689 and \$1,046,540	\$ 3,195,610	\$ 2,692,345	\$ 5,887,955
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:			
Operating income (loss)	\$ 47,100	\$ 247,121	\$ 294,221
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:			
Depreciation expense	333,332	439,631	772,963
(Increase) decrease in accounts receivable	4,369	(24,177)	(19,808)
(Increase) decrease in due from other funds	(1,166)	85,110	83,944
(Increase) decrease in due from other governments	-	(4,599)	(4,599)
(Increase) decrease in inventory	22,672	2,679	25,351
Increase (decrease) in compensated absences	5,215	1,439	6,654
Increase (decrease) in payroll liabilities	1,449	2,290	3,739
Increase (decrease) in due to other funds	(58,681)	226,734	168,053
Increase (decrease) in accounts payable	41,251	(989)	40,262
(Increase) decrease in net pension asset	(48,461)	(71,123)	(119,584)
(Increase) decrease in deferred outflows of resources - pension related	3,926	5,761	9,687
Increase (decrease) in deferred inflows of resources - pension related	34,380	50,456	84,836
Increase (decrease) in customer deposits	72,897	-	72,897
Total adjustments	\$ 411,183	\$ 713,212	\$ 1,124,395
Net cash provided by (used for) operating activities	\$ 458,283	\$ 960,333	\$ 1,418,616

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

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TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

Town of Smithfield, Virginia (Town) is a political subdivision of the Commonwealth of Virginia governed by an elected seven member Town Council. The Town provides a full range of services for its citizens. These services include 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. 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) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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 as soon as 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 expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

Property taxes, sales taxes, franchise taxes, licenses, 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 in fiscal year 2015.

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 an enterprise fund.

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 fund consists of the Water and Sewer Funds.

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

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

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

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

D. Budgets and Budgetary Accounting

The Town 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 April 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, Water Fund and Sewer Fund.
6. The budgets for the General 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, 2015.

E. Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2015.

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

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments that are both (1) readily convertible to known amounts of cash, and (2) so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

G. Investments

The Town's investments at June 30, 2015 consisted of amounts invested in certificates of deposit, which are reported in the financial statements as cash and cash equivalents.

H. Inventory and Prepaid Items

All inventories, which consist of materials and supplies, are valued at cost using the first-in, first-out 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 \$139,659 at June 30, 2015. The allowance for uncollectible billings in the water and sewer funds are \$54,695 and \$63,794, 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 \$5,000 and estimated useful life of greater than one year is met. Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market 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	15 Years
Buildings and System	10-50 Years
Automobiles	5-7 Years
Machinery and Equipment	3-30 Years
Infrastructure	30-65 Years
Improvements Other than Buildings	10-50 Years

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

J. Capital Assets: (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2015 was immaterial.

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:

The Town has an agreement in place with Isle of Wight County to provide water to certain areas of Isle of Wight County. The initial agreement was entered into in August 2010 for a term of five years at the rate of \$3.90 per 1,000 gallons. The rate was increased to \$5.91 effective January 1, 2012 as part of utility rate increases adopted by the Town council. The Town received \$267,514 in 2015 under this agreement. The agreement may be renewed for 5 subsequent one year terms.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

N. Intergovernmental Agreements (Continued)

Sanitary Sewer Public Utility Agreement:

The Town has an agreement in place with Isle of Wight County to provide sewer services to certain areas of Isle of Wight County at the rate of \$1.50 per month for each residential and commercial connection within the area. The initial agreement was entered into in March 2010 expired in March 2015. As of June 30, 2015, a new agreement had not been reached but payment continued and will continue on a monthly basis, based upon the terms of the expired agreement until a new agreement is executed. The Town received \$9,183 in FY205 under this agreement.

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 2015 was \$195,159.

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 was no expenditure related to this agreement in fiscal year 2015.

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 2015 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 was no expenditure related to this agreement in fiscal year 2015.

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 2015 was \$210,305.

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

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 two 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 contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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 two items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

P. Pensions

For purposes of measuring the net pension liability, 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. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

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

R. Net Position Flow Assumption

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.

S. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund type Definitions*. The following classifications 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 constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is generally 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).

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

As of June 30, 2015, the Town had the following investments:

<u>Town's Rated Debt Investments</u>	
<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>
	<u>AAf</u>
VACO/VML Virginia Investment Pool \$	<u>503,628</u>
Total	<u>\$ 503,628</u>

Investment Credit Policy

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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. VACoVML 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.

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.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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

Restricted and Designated Cash

Restricted cash and cash equivalents of the Town’s governmental funds and activities at June 30, 2015, are detailed as follows:

	<u>General</u>	<u>Business-type Activities</u>	
		<u>Water</u>	<u>Sewer</u>
Town beautification	\$ 13,527	\$ -	\$ -
South Church Street projects	35,911	-	-
Pinewood Heights escrow	42,220	-	-
Police CD	36,748	-	-
SNAP program	2,372	-	-
Debt Service	-	1,072,230	-
Compliance escrow	-	-	1,046,154
Customer deposits	-	113,459	-
Total	<u>\$ 130,778</u>	<u>\$ 1,185,689</u>	<u>\$ 1,046,154</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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	\$ 19,984	\$ -	\$ -	\$ 19,984
Windsor Castle	19,000	-	-	19,000
Museum	105,400	-	-	105,400
Escrow	214,946	611,740	1,178,886	2,005,572
Total	<u>\$ 359,330</u>	<u>\$ 611,740</u>	<u>\$ 1,178,886</u>	<u>\$ 2,149,956</u>

NOTE 3—RECEIVABLES:

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 1,922,440	\$ -
Consumer utility taxes	19,909	-
Consumption taxes	5,104	-
Interest	77	-
Transient occupancy tax	55,221	-
Meals tax	220,329	-
Other	2,399	-
Payroll	-	-
Water and sewer billings	-	735,441
Total	\$ 2,225,479	\$ 735,441
Allowance for uncollectibles	<u>(139,659)</u>	<u>(118,489)</u>
Net receivables	<u>2,085,820</u>	<u>616,952</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—DUE FROM/TO OTHER GOVERNMENTS:

Details of amounts due from/to other governments are as follows:

Governmental Activities:	
Commonwealth:	
DCA waterworks dam grant	\$ 8,500
Communications Tax	<u>38,745</u>
Due from Commonwealth	<u>\$ 47,245</u>
Isle of Wight County:	
Local Sales Tax	\$ 80,895
Fines	1,685
Other	<u>4,846</u>
Due from Isle of Wight County	<u>\$ 87,426</u>
Isle of Wight County Fire Department:	<u>\$ 1,401</u>
Due from Federal Government:	
CDBG	<u>\$ 16,000</u>
Total	<u><u>\$ 152,072</u></u>

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, 2015, the balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
General Fund	\$ 1,409,788	\$ 134,270
Special Revenue	126,119	7,488
Capital Projects Fund	8,151	43
Enterprise Funds:		
Water Fund	3,607	953,474
Sewer Fund	224,682	677,072
Total	<u><u>\$ 1,772,347</u></u>	<u><u>\$ 1,772,347</u></u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6—UNEARNED INCENTIVE- SALE OF TOWN PROPERTY:

The Town has previously entered multiple agreements with purchasers of certain property previously owned by the Town. The agreements provide for forgiveness of the initial purchase price, based on the fair market value, whereby the purchaser must invest an agreed upon amount in the construction and rehabilitation costs in the property. The following represents outstanding incentives based on the sale/purchase agreements:

	<u>Original Amount</u>	<u>Outstanding Balance</u>
Incentive	\$ 240,000	\$ 205,000

NOTE 7—CAPITAL ASSETS:

The following is a summary of changes in capital assets:

Governmental Activities:	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 8,156,836	\$ 112,843	\$ -	\$ 8,269,679
Construction in progress	<u>2,079</u>	<u>-</u>	<u>-</u>	<u>2,079</u>
Total capital assets not being depreciated	<u>\$ 8,158,915</u>	<u>\$ 112,843</u>	<u>\$ -</u>	<u>\$ 8,271,758</u>
Capital assets being depreciated:				
Art collections	\$ 118,466	\$ -	\$ -	\$ 118,466
Buildings and system	5,198,840	261,234	-	5,460,074
Improvements other than buildings	1,726,134	-	-	1,726,134
Machinery and equipment	1,088,455	90,147	7,459	1,171,143
Vehicles	1,339,121	144,270	156,556	1,326,835
Infrastructure	<u>9,584,394</u>	<u>14,881</u>	<u>-</u>	<u>9,599,275</u>
Subtotal	<u>\$ 19,055,410</u>	<u>\$ 510,532</u>	<u>\$ 164,015</u>	<u>\$ 19,401,927</u>
Accumulated depreciation:				
Art collections	\$ (106,425)	\$ (1,388)	\$ -	\$ (107,813)
Buildings and system	(1,437,274)	(170,475)	-	(1,607,749)
Improvements other than buildings	(655,654)	(67,495)	-	(723,149)
Machinery and equipment	(686,665)	(60,566)	(912)	(746,319)
Vehicles	(979,229)	(139,168)	(156,556)	(961,841)
Infrastructure	<u>(2,857,237)</u>	<u>(322,030)</u>	<u>-</u>	<u>(3,179,267)</u>
Total accumulated depreciation	<u>\$ (6,722,484)</u>	<u>\$ (761,122)</u>	<u>\$ (157,468)</u>	<u>\$ (7,326,138)</u>
Net capital assets being depreciated	<u>\$ 12,332,926</u>	<u>\$ (250,590)</u>	<u>\$ 6,547</u>	<u>\$ 12,075,789</u>
Capital assets, net	<u>\$ 20,491,841</u>	<u>\$ (137,747)</u>	<u>\$ 6,547</u>	<u>\$ 20,347,547</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 204,481	\$ -	\$ -	\$ 204,481
Construction in progress	<u>372,563</u>	<u>-</u>	<u>85,132</u>	<u>287,431</u>
Total capital assets not being depreciated	<u>\$ 577,044</u>	<u>\$ -</u>	<u>\$ 85,132</u>	<u>\$ 491,912</u>
Capital assets being depreciated:				
Buildings and system	\$ 11,586,211	\$ -	\$ -	\$ 11,586,211
Equipment	4,624,335	207,805	-	4,832,140
Infrastructure	10,642,249	151,399	-	10,793,648
Improvements other than buildings	135,227	-	-	135,227
Vehicles	<u>358,491</u>	<u>17,096</u>	<u>23,300</u>	<u>352,287</u>
Subtotal	<u>\$ 27,346,513</u>	<u>\$ 376,300</u>	<u>\$ 23,300</u>	<u>\$ 27,699,513</u>
Accumulated depreciation:				
Buildings and system	\$ (3,285,819)	\$ (264,361)	\$ -	\$ (3,550,180)
Equipment	(1,739,350)	(263,945)	-	(2,003,295)
Infrastructure	(6,650,470)	(204,291)	-	(6,854,761)
Improvements other than buildings	(17,150)	(6,761)	-	(23,911)
Vehicles	<u>(219,638)</u>	<u>(33,605)</u>	<u>(23,300)</u>	<u>(229,943)</u>
Total accumulated depreciation	<u>\$ (11,912,427)</u>	<u>\$ (772,963)</u>	<u>\$ (23,300)</u>	<u>\$ (12,662,090)</u>
Net capital assets being depreciated	<u>\$ 15,434,086</u>	<u>\$ (396,663)</u>	<u>\$ -</u>	<u>\$ 15,037,423</u>
Capital assets, net	<u>\$ 16,011,130</u>	<u>\$ (396,663)</u>	<u>\$ 85,132</u>	<u>\$ 15,529,335</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$ 43,969
Public safety	150,055
Public works (Highways and streets)	399,073
Cultural and recreation	<u>168,025</u>

Total governmental activities	<u>\$ 761,122</u>
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Business-type activities	<u>\$ 772,963</u>
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Construction Commitments

Construction commitments of the Town at June 30, 2015 are as follows:

Project	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Construction Standards Update	\$ 6,237	\$ 9,963
SSO Consent Order:		
Annual report development	22,000	3,000
General rehabilitation plan	126,700	48,300
Manhole rehabilitation	26,945	4,570
Private property I/I abatement program	23,525	1,475
SSES/Task 2 Pump station inspections	34,650	3,850
Capacity assessment	33,794	1,208
Flow monitoring upgrades	11,407	11,092
Sewer Storage Shed	4,252	7,748
Total	<u>\$ 289,510</u>	<u>\$ 91,206</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—LINE OF CREDIT:

In fiscal year 2013, the Town renewed an agreement with TowneBank for a line of credit of \$500,000 in order to assist the Town in financing the purchase of properties under the Pinewood Heights Project. Borrowings bear interest at LIBOR or Wall Street Journal Prime Rate (depending on which is most advantageous to the Town at the time of borrowing) but at no time will the interest rate be lower than 3.25%. At June 30, 2015, the interest rate being charged to the Town was 3.25% and there was no balance outstanding. The unsecured line was to expire on August 22, 2014, however, the line was renewed and will expire October 30, 2015.

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, such as the South Church Street Project. The variable interest rate is calculated based on the Wall Street Journal Prime Rate. The interest rate will never be greater than 18% or less than 3.25%. At June 30, 2015, the interest rate being charged to the Town was 3.25% and there was no balance outstanding. The unsecured line was to expire on July 31, 2014, however, the line was renewed and will expire on July 31, 2015.

NOTE 9—LONG-TERM OBLIGATIONS:

Governmental activities obligations

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

	<u>Balance June 30, 2014</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2015</u>
General obligation bond payable	\$ 580,825	\$ -	\$ (21,573)	\$ 559,252
Notes payable	52,609	434,300	(23,919)	462,990
Compensated absences	<u>169,165</u>	<u>6,909</u>	<u>-</u>	<u>176,074</u>
Totals	<u>\$ 802,599</u>	<u>\$ 441,209</u>	<u>\$ (45,492)</u>	<u>\$ 1,198,316</u>

Details of Long-term Obligations

In April 2011, the primary government issued Taxable General Obligation Bonds of \$638,907 pursuant to a sales contract entered into with the County of Isle of Wight in February 2011. Principal payments will be made in eight annual installments beginning January 2012 with a balloon payment of \$489,553 due no later than December 2019. Interest is calculated at 4% to 5.50% per annum and made in semiannual installments, which began in February 2011. The bonds were issued for the purpose of providing funds for various public improvement projects, including but not limited to, the acquisition of land for public safety and administration offices. At June 30, 2015, the balance of the bond payable was \$559,252.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations (Continued)

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

Year Ending June 30,	Bond Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 21,574	\$ 31,481	\$ 65,483	\$ 13,503
2017	23,233	30,564	67,863	11,303
2018	24,893	29,402	54,737	9,283
2019	26,552	28,033	53,609	7,635
2020	28,212	26,573	55,266	5,978
2021-2025	165,950	107,909	166,032	7,483
2026-2030	217,395	54,025	-	-
2031	51,443	2,958	-	-
Total	<u>\$ 559,252</u>	<u>\$ 310,945</u>	<u>\$ 462,990</u>	<u>\$ 55,185</u>

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Bonds Payable:		
\$638,907 General Obligation Bond Series 2011 dated September 8, 2011 with principal payable semi-annually, bearing interest at 4.00% to 5.50% payable semi-annually, maturing 2031.	\$ 559,252	\$ 21,574
Notes Payable:		
\$434,300 note payable dated April 24, 2015. Payments due annually with the final installment due 2023, bearing interest at 3.05%.	\$ 426,289	48,930
\$80,175 note payable dated August 7, 2012. Payments due annually with the final installment due 2018, bearing interest at 4.00%.	36,701	\$ 16,553
Total Notes Payable	<u>\$ 462,990</u>	<u>\$ 65,483</u>
Compensated Absences (Note 10)	<u>\$ 176,074</u>	<u>\$ 60,208</u>
Total governmental activities obligations	<u>\$ 1,198,316</u>	<u>\$ 147,265</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations

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

	<u>Balance July 1, 2014</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2015</u>
General obligation bonds payable	\$ 3,826,491	\$ 3,100,000	\$ (3,411,824)	\$ 3,514,667
Note payable	34,670	-	\$ (22,833)	11,837
Compensated absences	<u>28,379</u>	<u>6,654</u>	<u>\$ -</u>	<u>35,033</u>
Totals	<u>\$ 3,889,540</u>	<u>\$ 3,106,654</u>	<u>\$ (3,434,657)</u>	<u>\$ 3,561,537</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.

In July 2005, the Town received proceeds of \$3,570,000 as part of a pooled Series 2005 bond as issued by the Industrial Development Authority of the Town of Stafford and City of Staunton, Virginia. The purpose of the issue is to provide funds for qualifying projects undertaken by or on behalf of political subdivisions or other governmental units of the Commonwealth of Virginia. The Town's intended use is for water improvement systems. Repayment of the proceeds began February 2006 and is to be paid in semi-annual installments through August 2025 with an interest rate ranging between 3.25% and 4.375%. The bond is maintained within the water enterprise fund. During fiscal year 2015 the bond was partially refunded. At June 30, 2015, the balance of the bond payable was \$170,000.

In August, 2011, the Town issued a General Obligation Bond for \$773,266 maturing in various installments through August, 2016, with interest payable semiannually at 3.145%. At June 30, 2015, the balance of the bond payable was \$244,667.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations (Continued)

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

Year Ending June 30,	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2016	\$ 479,827	\$ 52,847	\$ 11,837	\$ 296
2017	401,840	42,277	-	-
2018	327,000	39,816	-	-
2019	329,000	34,587	-	-
2020	335,000	29,293	-	-
2021-2023	<u>1,642,000</u>	<u>50,307</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,514,667</u>	<u>\$ 249,127</u>	<u>\$ 11,837</u>	<u>\$ 296</u>

	Total Amount	Amount Due Within One Year
\$3,570,000 General Obligation Refunding Bond dated July 28, 2005 with principal payable annually, bearing interest at 3.25% to 4.25% payable semi-annually August 1, 2025. The bond was partially refunding with the issuance of the 2015B advance refunding bonds.	\$ 170,000	\$ 170,000
\$918,000 Series 2015A General Obligation Refunding Bond dated March 12, 2015 with principal annually, bearing interest at 1.50% payable semi-annually maturing on August 1, 2022.	918,000	118,000
\$2,182,000 Series 2015B General Obligation Refunding Bond dated March 12, 2015 with principal annually, bearing interest at 1.65% payable semi-annually and maturing on August 1, 2022.	2,182,000	30,000
\$773,266 General Obligation bond dated August 2011, with principal payable annually, bearing interest at 3.145% payable semi-annually, maturing August 2016	244,667	161,827
\$300,000 General Obligation Bonds Series 2010 dated May 1, 1996 with principal payable semi-annually, bearing interest at 5%, maturing November 1, 2015.	<u>11,837</u>	<u>11,837</u>
Total	\$ 3,526,504	\$ 491,664
Compensated Absences (Note 10)	<u>35,033</u>	<u>9,640</u>
Total business-type obligations	<u>\$ 3,561,537</u>	<u>\$ 501,304</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 10—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 termination, 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, 2015, accumulated vacation and sick leave for the government funds amounted to \$176,074 of which \$60,208 is short-term.

At June 30, 2015, accumulated vacation and sick leave for the proprietary funds amounted to \$35,033 of which \$9,640 is short-term.

NOTE 11—PENSION PLAN:

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Multi-Employer Pension Plan
Administering Entity: Virginia Retirement System (VRS)

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is 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.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is 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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is 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.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	16
Inactive members:	
Vested inactive members	12
Non-vested inactive members	14
Inactive members active elsewhere in VRS	<u>30</u>
Total inactive members	56
Active members	<u>60</u>
Total covered employees	<u><u>132</u></u>

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2015 was 6.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$170,809 and \$225,492 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town 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, 2018 on, participating employers are assumed 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) Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 6,210,478	\$ 6,665,656	\$ (455,178)
Changes for the year:			
Service cost	\$ 321,427	\$ -	\$ 321,427
Interest	429,561	-	429,561
Contributions - employer	-	225,366	(225,366)
Contributions - employee	-	133,560	(133,560)
Net investment income	-	1,071,092	(1,071,092)
Benefit payments, including refunds of employee contributions	(147,781)	(147,781)	-
Administrative expenses	-	(5,531)	5,531
Other changes	-	57	(57)
Net changes	\$ 603,207	\$ 1,276,763	\$ (673,556)
Balances at June 30, 2014	\$ 6,813,685	\$ 7,942,419	\$ (1,128,734)

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

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

The following presents the net pension asset of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension (Asset) Liability	(18,921)	(1,128,734)	(2,032,054)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Town recognized pension expense of \$29,648. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 477,838
Employer contributions subsequent to the measurement date	170,809	-
Total	\$ 170,809	\$ 477,838

\$170,809 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	\$ (119,460)
2017	(119,460)
2018	(119,460)
2019	(119,458)

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 12—CONTINGENT LIABILITIES:

Federal assisted grant programs:

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

General Obligation Bonds

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

NOTE 13—LEGAL DEBT MARGIN:

The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation of real estate on the amount of general obligation borrowings that may be issued by the Town. At June 30, 2015, the Town's aggregate general obligation indebtedness was \$103,351,333 less than the Commonwealth of Virginia's limit. Reference Table 11.

NOTE 14—RISK MANAGEMENT:

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

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 15—COMMITMENTS:

The Town of Smithfield began a four phase community improvement project in FY2007 to better the living conditions of residents in its Pinewood Heights neighborhood. The project was originally projected to be completed over three phases but was later extended to four to make the project financially manageable. With grant assistance of \$1,400,000 from the Virginia Department of Housing and Community Development (DHCD), the Town acquired 32 properties, permanently relocated residents, and demolished and cleared all purchased dwellings in Phase I. The Town's investment totaled \$2,318,392 and included \$750,000 in cash and in-kind contributions from Isle of Wight County as well as Section 8 vouchers valued at \$223,272. Phase I was completed during fiscal year 2012.

On July 2, 2012, the Smithfield Town Council approved a contract with DHCD for Phase II. This phase was divided into multi-years 1 and 2 consisting of 10 and 8 properties respectively. Multi-Year 1 (MY1) originally included the acquisition, relocation, and demolition of 6 owner occupied and 4 tenant occupied units. The ratio was amended to 5 owner occupied and 5 tenant occupied units after negotiations with one owner stalled due to credit issues. Financing was comprised of \$624,720 in community development block grants and \$901,481 of Town leverage funding, including \$38,514 in Section 8 vouchers and \$94,682 in relocation contributions from the Southeastern Tidewater Opportunity Project (STOP) organization. As of June 30, 2015, the Town had purchased and relocated all budgeted owner occupied and tenant occupied units designated for MY1. One of the Section 8 renters was the recipient of the STOP organization's contribution and became a homeowner. The Town received all allocated DHCD grant funds for Phase II MY1 with a conditional closeout effective on December 24, 2014. The Town's leverage in MY1 as of June 30 totaled \$962,573 which exceeds the original budget of \$901,481 by \$61,092. Only 3 units have been demolished to date. The remainder will be completed with required demolition in MY2.

A contract for Phase II Multi-Year 2 (MY2) was awarded on March 28, 2014. This portion of Phase II consists of 4 owner occupied units, 2 tenant occupied units, and 2 vacant units. The budget for MY2 consists of \$375,280 from DHCD and \$589,894 from the Town including \$21,000 in Section 8 vouchers through Isle of Wight County. Very little progress was made in MY2 during FY2015 with the purchase of only 1 renter occupied unit and the relocation of 2 market rate renters. As in Phase II MY1, one of the renters became a homeowner. The slow progress was the result of relocation challenges and the need to finish Phase II MY1. The contract for Phase II MY2 expires on August 27, 2015. The Town will request an extension until August 20, 2016 to allow adequate time to complete the phase including all associated demolition.

A contract for a planning grant for Phases III and IV was executed with DHCD on November 14, 2014 and completed by the end of the fiscal year. DHCD notified the Town on July 10, 2015 that they had reviewed and accepted the Town's closeout documents and conditionally closed the planning grant as of June 30 pending receipt of the 2015 audit report. Phases III and IV will be the final two phases of the project and include 18 units in Phase III and 16 units in Phase IV. The Town plans to finance its portion with meals tax revenues of which 2% have been dedicated towards this project. In FY2015, the Town collected \$1,448,158 in total meals tax revenues with \$482,720 earmarked for Pinewood. Project costs for the Town in 2015 after applying CDBG grant funds of \$153,800 were \$565,738 which utilized all of the dedicated meals tax for the year and \$83,018 from prior year reserves of \$219,808 that were held in escrow. The Town expects that VHCD and the Town will negotiate a contract for Phase III in FY2016.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 16—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The Town implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities <u>Net Position</u>	Business - type Activities		<u>Total</u>
		<u>Water Fund Net Position</u>	<u>Sewer Fund Net Position</u>	
Balance as reported at June 30, 2014	\$ 25,145,169	\$ 9,078,681	\$ 7,559,472	\$ 16,638,153
Implementation of GASB Statement No. 68	<u>559,721</u>	<u>48,964</u>	<u>71,861</u>	<u>120,825</u>
Balance as restated at June 30, 2014, as restated	<u>\$ 25,704,890</u>	<u>\$ 9,127,645</u>	<u>\$ 7,631,333</u>	<u>\$ 16,758,978</u>

NOTE 17—UPCOMING PRONOUNCEMENTS:

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, amends certain provisions of Statement 68 for pension plans and pensions that are within its scope. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

NOTE 17—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is meant to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
General property taxes	\$ 2,369,220	\$ 2,405,025	\$ 2,410,696	\$ 5,671
Other local taxes	2,753,094	2,836,968	3,028,852	191,884
Permits, privilege fees, and regulatory licenses	18,400	41,400	41,506	106
Fines and forfeitures	70,000	70,000	64,342	(5,658)
Revenue from the use of money and property	194,892	218,687	239,829	21,142
Miscellaneous	7,000	114,204	178,676	64,472
Intergovernmental:				
Commonwealth	682,125	681,878	678,760	(3,118)
Federal	396,480	528,330	154,456	(373,874)
Total revenues	\$ 6,491,211	\$ 6,896,492	\$ 6,797,117	\$ (99,375)
EXPENDITURES				
Current:				
General government administration	\$ 952,306	\$ 1,021,694	\$ 992,342	\$ 29,352
Public safety	2,445,729	2,383,548	2,269,098	114,450
Public works	963,666	968,521	923,488	45,033
Parks, recreation, and cultural	780,955	813,654	750,219	63,435
Community development	1,200,040	1,669,054	1,039,243	629,811
Capital projects	464,893	839,739	588,277	251,462
Debt service:				
Principal retirement	487,479	295,491	45,492	249,999
Interest and other fiscal charges	41,140	38,515	40,748	(2,233)
Total expenditures	\$ 7,336,208	\$ 8,030,216	\$ 6,648,907	\$ 1,381,309
Excess (deficiency) of revenues over (under) expenditures	\$ (844,997)	\$ (1,133,724)	\$ 148,210	\$ 1,281,934
OTHER FINANCING SOURCES (USES)				
Issuance of note payable	\$ -	\$ 430,000	\$ 434,300	\$ 4,300
Issuance of line of credit	450,000	250,000	-	(250,000)
Sale of equipment	1,000	12,445	20,075	7,630
Total other financing sources (uses)	\$ 451,000	\$ 692,445	\$ 454,375	\$ (238,070)
Net change in fund balances	\$ (393,997)	\$ (441,279)	\$ 602,585	\$ 1,043,864
Fund balances - beginning	393,997	441,279	5,063,709	4,622,430
Fund balances - ending	\$ -	\$ -	\$ 5,666,294	\$ 5,666,294

Highway Maintenance Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2015

	Highway Maintenance Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 220	\$ 185	\$ 162	\$ (23)
Intergovernmental:				
Commonwealth	1,033,113	1,061,479	1,061,479	-
Total revenues	\$ 1,033,333	\$ 1,061,664	\$ 1,061,641	\$ (23)
EXPENDITURES				
Current:				
Public works	\$ 1,027,333	\$ 1,176,125	\$ 1,019,833	\$ 156,292
Total expenditures	\$ 1,027,333	\$ 1,176,125	\$ 1,019,833	\$ 156,292
Excess (deficiency) of revenues over (under) expenditures	\$ 6,000	\$ (114,461)	\$ 41,808	\$ 156,269
OTHER FINANCING SOURCES (USES)				
Sale of equipment	\$ -	\$ 6,000	\$ 4,000	\$ (2,000)
Total other financing sources (uses)	\$ -	\$ 6,000	\$ 4,000	\$ (2,000)
Net change in fund balances	\$ 6,000	\$ (108,461)	\$ 45,808	\$ 154,269
Fund balances - beginning	(6,000)	108,461	38,064	(70,397)
Fund balances - ending	\$ -	\$ -	\$ 83,872	\$ 83,872

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 321,427
Interest	429,561
Benefit payments, including refunds of employee contributions	(147,781)
Net change in total pension liability	<u>\$ 603,207</u>
Total pension liability - beginning	<u>6,210,478</u>
Total pension liability - ending (a)	<u><u>\$ 6,813,685</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 225,366
Contributions - employee	133,560
Net investment income	1,071,092
Benefit payments, including refunds of employee contributions	(147,781)
Administrative expense	(5,531)
Other	57
Net change in plan fiduciary net position	<u>\$ 1,276,763</u>
Plan fiduciary net position - beginning	<u>6,665,656</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 7,942,419</u></u>
 Town's net pension (asset) liability - ending (a) - (b)	 \$ (1,128,734)
 Plan fiduciary net position as a percentage of the total pension liability	 116.57%
 Covered-employee payroll	 \$ 2,522,284
 Town's net pension (asset) liability as a percentage of covered-employee payroll	 -44.75%

Schedule is intended to show information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

Schedule of Employer Contributions
 For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Town 2015	\$ 170,809	\$ 170,809	\$ -	\$ 2,541,822	6.72%

Schedule is intended to show information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Other Supplementary Information

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,685,000	\$ 1,707,275	\$ 1,692,013	\$ (15,262)
Real and personal public service corporation taxes	-	-	30,753	30,753
Personal property taxes	644,205	655,705	639,820	(15,885)
Penalties	26,600	29,400	30,851	1,451
Interest	13,415	12,645	17,259	4,614
Total general property taxes	<u>\$ 2,369,220</u>	<u>\$ 2,405,025</u>	<u>\$ 2,410,696</u>	<u>\$ 5,671</u>
Other local taxes:				
Local sales and use taxes	\$ 270,000	\$ 300,000	\$ 313,161	\$ 13,161
Cigarette taxes	174,067	130,000	153,317	23,317
Franchise license taxes	134,370	123,000	130,227	7,227
Business license tax	340,950	344,900	405,116	60,216
Utility license taxes	193,600	193,600	198,125	4,525
Transient taxes	139,430	170,000	180,650	10,650
Meals tax	1,319,677	1,383,265	1,448,159	64,894
Vehicle licenses	132,000	146,203	148,698	2,495
Peg Channel capital fee	-	-	1,843	1,843
Consumption tax	49,000	46,000	49,556	3,556
Total other local taxes	<u>\$ 2,753,094</u>	<u>\$ 2,836,968</u>	<u>\$ 3,028,852</u>	<u>\$ 191,884</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 18,400	\$ 41,400	\$ 41,506	\$ 106
Total permits, privilege fees, and regulatory licenses	<u>\$ 18,400</u>	<u>\$ 41,400</u>	<u>\$ 41,506</u>	<u>\$ 106</u>
Fines and forfeitures:				
Police fines	\$ 70,000	\$ 70,000	\$ 64,342	\$ (5,658)
Total fines and forfeitures	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 64,342</u>	<u>\$ (5,658)</u>
Revenue from use of money and property:				
Interest	\$ 7,630	\$ 8,062	\$ 11,541	\$ 3,479
Revenue from use of property	187,262	210,625	228,288	17,663
Total revenue from use of money and property	<u>\$ 194,892</u>	<u>\$ 218,687</u>	<u>\$ 239,829</u>	<u>\$ 21,142</u>
Miscellaneous:				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 36,551	\$ 34,551
VML insurance safety grant	4,000	4,000	4,000	-
Donations	1,000	98,707	128,628	29,921
Insurance recoveries	-	9,497	9,497	-
Total miscellaneous	<u>\$ 7,000</u>	<u>\$ 114,204</u>	<u>\$ 178,676</u>	<u>\$ 64,472</u>
Total revenue from local sources	<u>\$ 5,412,606</u>	<u>\$ 5,686,284</u>	<u>\$ 5,963,901</u>	<u>\$ 277,617</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 375	\$ 375
Communications tax	240,000	237,000	236,038	(962)
PPTRA	240,795	240,795	240,795	-
Auto rental tax	1,000	3,230	3,301	71
Rolling stock tax	15	23	23	-
Fuel refund	-	8	9	1
Total noncategorical aid	<u>\$ 481,810</u>	<u>\$ 481,056</u>	<u>\$ 480,541</u>	<u>\$ (515)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 161,533	\$ 161,533	\$ 161,532	\$ (1)
Total shared expenses	<u>\$ 161,533</u>	<u>\$ 161,533</u>	<u>\$ 161,532</u>	<u>\$ (1)</u>
Other categorical aid:				
Fire programs fund	\$ 19,461	\$ 24,294	\$ 25,627	\$ 1,333
Virginia Commission of Arts Grant	5,000	5,000	5,000	-
DCA grant (dam)	4,000	4,000	-	(4,000)
Police block grant	4,000	-	-	-
TRIAD	-	2,250	2,250	-
SNAP program fund	3,000	427	492	65
Litter control grant	3,321	3,318	3,318	-
Total other categorical aid	<u>\$ 38,782</u>	<u>\$ 39,289</u>	<u>\$ 36,687</u>	<u>\$ (2,602)</u>
Total categorical aid	<u>\$ 200,315</u>	<u>\$ 200,822</u>	<u>\$ 198,219</u>	<u>\$ (2,603)</u>
Total revenue from the Commonwealth	<u>\$ 682,125</u>	<u>\$ 681,878</u>	<u>\$ 678,760</u>	<u>\$ (3,118)</u>
Revenue from the federal government:				
Categorical aid:				
Federal Grants	\$ 1,200	\$ 2,250	\$ 3,656	\$ 1,406
Pinewood Heights CDBG Relocation Grant	395,280	526,080	150,800	(375,280)
Total categorical aid	<u>\$ 396,480</u>	<u>\$ 528,330</u>	<u>\$ 154,456</u>	<u>\$ (373,874)</u>
Total revenue from the federal government	<u>\$ 396,480</u>	<u>\$ 528,330</u>	<u>\$ 154,456</u>	<u>\$ (373,874)</u>
Total General Fund	<u><u>\$ 6,491,211</u></u>	<u><u>\$ 6,896,492</u></u>	<u><u>\$ 6,797,117</u></u>	<u><u>\$ (99,375)</u></u>
Highway Maintenance Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest	\$ 220	\$ 185	\$ 162	\$ (23)
Total revenue from local sources	<u>\$ 220</u>	<u>\$ 185</u>	<u>\$ 162</u>	<u>\$ (23)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Street and highway maintenance	\$ 1,033,113	\$ 1,061,479	\$ 1,061,479	\$ -
Total revenue from the Commonwealth	<u>\$ 1,033,113</u>	<u>\$ 1,061,479</u>	<u>\$ 1,061,479</u>	<u>\$ -</u>
Total Highway Maintenance Fund	<u><u>\$ 1,033,333</u></u>	<u><u>\$ 1,061,664</u></u>	<u><u>\$ 1,061,641</u></u>	<u><u>\$ (23)</u></u>
Total Primary Government	<u><u>\$ 7,524,544</u></u>	<u><u>\$ 7,958,156</u></u>	<u><u>\$ 7,858,758</u></u>	<u><u>\$ (99,398)</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 198,824	\$ 258,930	\$ 258,134	\$ 796
Town Manager	348,813	355,953	343,303	12,650
Treasurer	404,669	406,811	390,905	15,906
Total general government administration	<u>\$ 952,306</u>	<u>\$ 1,021,694</u>	<u>\$ 992,342</u>	<u>\$ 29,352</u>
Public safety:				
Law enforcement and traffic control:				
Commonwealth's attorney - contribution	\$ 10,500	\$ 10,500	\$ 10,500	\$ -
Police department	2,219,156	2,155,751	1,999,416	156,335
Total law enforcement and traffic control	<u>2,229,656</u>	<u>2,166,251</u>	<u>2,009,916</u>	<u>156,335</u>
Fire and rescue services:				
Fire department	\$ 46,070	\$ 47,294	\$ 48,627	\$ (1,333)
Coast Guard Auxiliary	250	250	250	-
E-911 dispatch	169,753	169,753	210,305	(40,552)
Total fire and rescue services	<u>\$ 216,073</u>	<u>\$ 217,297</u>	<u>\$ 259,182</u>	<u>\$ (41,885)</u>
Total public safety	<u>\$ 2,445,729</u>	<u>\$ 2,383,548</u>	<u>\$ 2,269,098</u>	<u>\$ 114,450</u>
Public works:				
Public works engineering, trash removal:				
Engineering, trash removal, maintenance	\$ 810,521	\$ 808,135	\$ 784,238	\$ 23,897
Maintenance of general buildings and grounds:				
Public buildings	\$ 153,145	\$ 160,386	\$ 139,250	\$ 21,136
Total public works	<u>\$ 963,666</u>	<u>\$ 968,521</u>	<u>\$ 923,488</u>	<u>\$ 45,033</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Clontz Park	\$ 4,600	\$ 6,000	\$ 6,245	\$ (245)
Community Wellness Initiative	-	130	130	-
SNAP Program	3,000	3,000	1,135	1,865
Cypress Creek No Wake Zone	-	-	470	(470)
Farmers Market	3,000	3,000	3,000	-
Fireworks	2,000	2,000	2,000	-
Fishing Pier	-	-	4	(4)
Haydens Lane Maintenance	1,500	1,500	772	728
Veterans War Memorial	1,000	1,000	1,457	(457)
Isle of Wight Arts League	10,000	10,000	10,000	-
Jersey Park Playground	1,000	1,000	665	335
Museum	100,000	128,074	114,430	13,644
Pinewood Playground	500	500	497	3
Regional Library	10,000	10,000	10,000	-
Smithfield Center	431,970	428,438	399,757	28,681
Town Open Space	-	-	330	(330)
TUMC Parking Lot	1,500	1,500	1,250	250
Waterworks Dam	11,450	10,950	5,578	5,372
Windsor Castle Park	199,435	206,562	192,500	14,062
Total parks, recreation, and cultural	<u>\$ 780,955</u>	<u>\$ 813,654</u>	<u>\$ 750,219</u>	<u>\$ 63,435</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development:				
APVA Courthouse	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Chamber of Commerce	6,000	6,000	6,000	-
Christian Outreach	14,000	14,000	14,000	-
Genieve Shelter	9,000	9,000	9,000	-
Hampton Roads Planning District	8,200	8,577	8,577	-
Historic Smithfield	-	55,658	55,658	-
YMCA Project	50,000	50,000	50,000	-
Pinewood Heights	568,591	909,480	492,949	416,531
TRIAD	1,650	3,900	3,900	-
Tourism Bureau	195,159	195,159	195,159	-
Western Tidewater Free Clinic	33,000	33,000	33,000	-
CDBG Owner relocation and acquisition	309,440	379,280	166,000	213,280
Total community development	<u>\$ 1,200,040</u>	<u>\$ 1,669,054</u>	<u>\$ 1,039,243</u>	<u>\$ 629,811</u>
Capital projects:				
Public Safety - Police	\$ 176,393	\$ 175,386	\$ 176,360	\$ (974)
Public Works - other	7,500	58,343	57,257	1,086
Public Works - public buildings	177,000	433,770	286,426	147,344
Parks, Recreation and Cultural - other	8,000	10,000	2,000	8,000
Parks, Recreation and Cultural - Windsor Castle Park	-	6,240	6,234	6
Community Development - Pinewood Heights relocation	96,000	156,000	60,000	96,000
Total capital projects	<u>\$ 464,893</u>	<u>\$ 839,739</u>	<u>\$ 588,277</u>	<u>\$ 251,462</u>
Debt service:				
Principal retirement and interest	\$ 487,479	\$ 295,491	\$ 45,492	\$ 249,999
Interest and other fiscal charges	41,140	38,515	40,748	(2,233)
Total debt service	<u>\$ 528,619</u>	<u>\$ 334,006</u>	<u>\$ 86,240</u>	<u>\$ 247,766</u>
Total General Fund	<u>\$ 7,336,208</u>	<u>\$ 8,030,216</u>	<u>\$ 6,648,907</u>	<u>\$ 1,381,309</u>
Highway Maintenance Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highway maintenance	\$ 959,012	\$ 1,063,125	\$ 988,004	\$ 75,121
Highway capital outlay	68,321	113,000	31,829	81,171
Total Highway Maintenance Fund	<u>\$ 1,027,333</u>	<u>\$ 1,176,125</u>	<u>\$ 1,019,833</u>	<u>\$ 156,292</u>
Total Primary Government	<u>\$ 8,363,541</u>	<u>\$ 9,206,341</u>	<u>\$ 7,668,740</u>	<u>\$ 1,537,601</u>

Other Statistical Information

TOWN OF SMITHFIELD, VIRGINIA

Net Position by Component
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities					
Net investment in capital assets	\$ 19,325,305	\$ 19,858,407	\$ 20,341,956	\$ 20,238,480	\$ 16,855,409
Restricted	130,778	161,059	176,929	-	-
Unrestricted	6,366,159	5,125,703	4,478,388	2,877,537	4,112,055
Total governmental activities net position	<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>
Business-type activities					
Net investment in capital assets	\$ 12,041,397	\$ 12,149,969	\$ 12,456,082	\$ 12,248,298	\$ 12,153,344
Restricted	2,118,384	1,793,475	1,509,709	2,233,571	1,440,224
Unrestricted	2,914,632	2,694,709	2,397,006	1,657,184	2,750,516
Total business-type activities net position	<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>
Primary government					
Net investment in capital assets	\$ 31,366,702	\$ 32,008,376	\$ 32,798,038	\$ 32,486,778	\$ 29,008,753
Restricted	2,249,162	1,954,534	1,686,638	2,233,571	1,440,224
Unrestricted	9,280,791	7,820,412	6,875,394	4,534,721	6,862,571
Total primary government net position	<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>

Table 1

2010	2009	2008	2007	2006
\$ 15,757,552	\$ 14,036,786	\$ 6,065,558	\$ 5,795,951	\$ 4,127,196
1,526,185	776,333	1,129,937	392,314	428,310
2,606,432	2,789,245	3,114,587	2,944,331	3,876,804
<u>\$ 19,890,169</u>	<u>\$ 17,602,364</u>	<u>\$ 10,310,082</u>	<u>\$ 9,132,596</u>	<u>\$ 8,432,310</u>
\$ 8,383,785	\$ 7,726,696	\$ 6,052,778	\$ 7,712,175	\$ 6,757,567
4,399,841	-	4,334,848	4,540,167	4,461,514
2,841,075	6,980,698	3,864,596	(359,379)	(934,846)
<u>\$ 15,624,701</u>	<u>\$ 14,707,394</u>	<u>\$ 14,252,222</u>	<u>\$ 11,892,963</u>	<u>\$ 10,284,235</u>
\$ 24,141,337	\$ 21,763,482	\$ 12,118,336	\$ 13,508,126	\$ 10,884,763
5,926,026	776,333	5,464,785	4,932,481	4,889,824
5,447,507	9,769,943	6,979,183	2,584,952	2,941,958
<u>\$ 35,514,870</u>	<u>\$ 32,309,758</u>	<u>\$ 24,562,304</u>	<u>\$ 21,025,559</u>	<u>\$ 18,716,545</u>

TOWN OF SMITHFIELD, VIRGINIA

Change in Net Position
Last Ten Fiscal Years

	2015	2014	2013	2012
Expenses				
Governmental activities:				
General government administration	\$ 1,003,355	\$ 964,395	\$ 1,008,448	\$ 849,523
Public safety	2,364,059	2,397,623	2,363,849	2,357,991
Public works	2,287,246	2,388,421	2,090,010	2,209,701
Parks, recreation, and cultural	916,654	826,369	691,306	740,853
Community development	1,039,243	1,004,920	646,422	458,015
Interest on long-term debt	41,771	35,648	43,342	34,721
Total governmental activities expenses	<u>\$ 7,652,328</u>	<u>\$ 7,617,376</u>	<u>\$ 6,843,377</u>	<u>\$ 6,650,804</u>
Business-type activities:				
Water	\$ 1,751,634	\$ 1,632,400	\$ 1,546,489	\$ 1,637,463
Sewer	1,011,978	1,121,187	1,245,035	1,594,505
Total business-type activities expenses	<u>\$ 2,763,612</u>	<u>\$ 2,753,587</u>	<u>\$ 2,791,524</u>	<u>\$ 3,231,968</u>
Total primary government expenses	<u>\$ 10,415,940</u>	<u>\$ 10,370,963</u>	<u>\$ 9,634,901</u>	<u>\$ 9,882,772</u>
Program Revenue				
Governmental activities:				
Charges for services:	\$ 105,848	\$ 92,796	\$ 85,572	\$ 539,710
Operating grants and contributions	1,263,354	1,268,617	1,335,108	1,394,579
Capital grants and contributions	150,800	374,394	1,516,875	2,281,395
Total governmental activities program revenues	<u>\$ 1,520,002</u>	<u>\$ 1,735,807</u>	<u>\$ 2,937,555</u>	<u>\$ 4,215,684</u>
Business-type activities:				
Charges for services:				
Water	\$ 1,624,519	\$ 1,626,650	\$ 1,594,540	\$ 1,521,884
Sewer	1,214,154	1,201,756	1,181,471	1,370,018
Operating grants and contributions	-	-	-	-
Capital grants and contributions	211,594	178,369	212,202	120,586
Total business-type activities program revenues	<u>\$ 3,050,267</u>	<u>\$ 3,006,775</u>	<u>\$ 2,988,213</u>	<u>\$ 3,012,488</u>
Total primary government program revenues	<u>\$ 4,570,269</u>	<u>\$ 4,742,582</u>	<u>\$ 5,925,768</u>	<u>\$ 7,228,172</u>
Governmental activities	\$ (6,132,326)	\$ (5,881,569)	\$ (3,905,822)	\$ (2,435,120)
Business-type activities	286,655	253,188	196,689	(219,480)
Total primary government net expense	<u>\$ (5,845,671)</u>	<u>\$ (5,628,381)</u>	<u>\$ (3,709,133)</u>	<u>\$ (2,654,600)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 2,304,590	\$ 2,498,772	\$ 2,352,590	\$ 2,602,423
Franchise taxes	130,227	134,609	116,784	131,046
Sales taxes	313,161	293,935	259,165	323,039
Other taxes	2,585,464	2,319,444	2,209,427	1,905,360
Grants and contributions not restricted to specific programs	480,541	480,105	493,914	-
Gain (Loss) on disposition of capital assets	17,028	28,142	18,722	(900,500)
Revenues from use of property and money	239,991	205,654	193,830	306,049
Miscellaneous	178,676	68,804	138,522	19,269
Transfers	-	-	-	-
Other-Insurance Recoveries	-	-	4,124	34,018
Total governmental activities	<u>\$ 6,249,678</u>	<u>\$ 6,029,465</u>	<u>\$ 5,787,078</u>	<u>\$ 4,420,704</u>
Business-type activities:				
Miscellaneous	\$ 15,663	\$ 10,642	\$ 7,543	\$ 3,091
Other-Insurance Recoveries	-	-	7,110	-
Revenues from use of property and money	13,117	11,526	12,402	14,449
Total business-type activities	<u>\$ 28,780</u>	<u>\$ 22,168</u>	<u>\$ 27,055</u>	<u>\$ 14,449</u>
Total primary government	<u>\$ 6,278,458</u>	<u>\$ 6,051,633</u>	<u>\$ 5,814,133</u>	<u>\$ 4,435,153</u>
Change in Net Position				
Governmental activities	\$ 117,352	\$ 147,896	\$ 1,881,256	\$ 1,985,584
Business-type activities	315,435	275,356	223,744	(205,031)
Total primary government	<u>\$ 432,787</u>	<u>\$ 423,252</u>	<u>\$ 2,105,000</u>	<u>\$ 1,780,553</u>

Table 2

2011	2010	2009	2008	2007	2006
\$ 873,583	\$ 861,980	\$ 1,088,173	\$ 886,653	\$ 1,117,303	\$ 1,147,563
2,453,686	2,416,984	2,458,180	3,292,390	2,319,484	2,171,021
1,813,720	1,874,892	2,258,612	1,867,083	1,887,547	1,338,967
806,902	599,380	594,077	465,185	514,201	455,889
561,600	805,672	365,494	565,386	211,992	275,340
57,712	13,760	18,451	30,409	14,903	44,954
<u>\$ 6,567,203</u>	<u>\$ 6,572,668</u>	<u>\$ 6,782,987</u>	<u>\$ 7,107,106</u>	<u>\$ 6,065,430</u>	<u>\$ 5,433,734</u>
\$ 895,899	\$ 871,765	\$ 925,985	\$ 857,058	\$ 811,100	\$ 753,657
1,078,458	985,978	1,085,367	974,884	962,260	882,645
<u>\$ 1,974,357</u>	<u>\$ 1,857,743</u>	<u>\$ 2,011,352</u>	<u>\$ 1,831,942</u>	<u>\$ 1,773,360</u>	<u>\$ 1,636,302</u>
<u>\$ 8,541,560</u>	<u>\$ 8,430,411</u>	<u>\$ 8,794,339</u>	<u>\$ 8,939,048</u>	<u>\$ 7,838,790</u>	<u>\$ 7,070,036</u>
\$ 509,445	\$ 560,155	\$ 582,030	\$ 634,147	\$ 697,173	\$ 673,966
1,287,831	1,182,407	1,175,835	2,077,963	1,076,220	792,263
1,202,583	2,548,708	7,204,294	621,784	40,500	-
<u>\$ 2,999,859</u>	<u>\$ 4,291,270</u>	<u>\$ 8,962,159</u>	<u>\$ 3,333,894</u>	<u>\$ 1,813,893</u>	<u>\$ 1,466,229</u>
\$ 1,299,332	\$ 1,432,182	\$ 1,466,705	\$ 1,358,845	\$ 1,435,244	\$ 1,167,203
1,357,910	1,167,007	912,995	932,841	1,130,904	831,573
-	-	2,574	265,618	-	-
18,737	184,334	16,975	1,353,581	459,636	-
<u>\$ 2,675,979</u>	<u>\$ 2,783,523</u>	<u>\$ 2,399,249</u>	<u>\$ 3,910,885</u>	<u>\$ 3,025,784</u>	<u>\$ 1,998,776</u>
<u>\$ 5,675,838</u>	<u>\$ 7,074,793</u>	<u>\$ 11,361,408</u>	<u>\$ 7,244,779</u>	<u>\$ 4,839,677</u>	<u>\$ 3,465,005</u>
\$ (3,567,344)	\$ (2,281,398)	\$ 2,179,172	\$ (3,773,212)	\$ (4,251,537)	\$ (3,967,505)
701,622	925,780	387,897	2,078,943	1,252,424	362,474
<u>\$ (2,865,722)</u>	<u>\$ (1,355,618)</u>	<u>\$ 2,567,069</u>	<u>\$ (1,694,269)</u>	<u>\$ (2,999,113)</u>	<u>\$ (3,605,031)</u>
\$ 2,670,808	\$ 2,707,054	\$ 2,717,017	\$ 2,473,865	\$ 2,411,387	\$ 2,203,507
143,231	141,404	92,375	98,592	161,843	156,732
263,813	263,029	284,054	279,583	274,948	254,386
1,722,320	1,704,845	1,726,986	1,635,892	1,481,890	1,326,898
7,637	7,025	19,405	76,731	33,583	237,625
(355,905)	(507,496)	-	-	-	-
46,373	70,247	77,219	152,724	195,123	250,850
4,796	12,201	-	-	-	-
(41,000)	41,000	41,000	41,000	41,000	41,000
9,219	12,551	29,028	69,517	216,811	73,704
<u>\$ 4,471,292</u>	<u>\$ 4,451,860</u>	<u>\$ 4,987,084</u>	<u>\$ 4,827,904</u>	<u>\$ 4,816,585</u>	<u>\$ 4,544,702</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
17,761	32,527	108,275	321,316	392,176	283,384
<u>\$ 17,761</u>	<u>\$ 32,527</u>	<u>\$ 108,275</u>	<u>\$ 321,316</u>	<u>\$ 392,176</u>	<u>\$ 283,384</u>
<u>\$ 4,489,053</u>	<u>\$ 4,484,387</u>	<u>\$ 5,095,359</u>	<u>\$ 5,149,220</u>	<u>\$ 5,208,761</u>	<u>\$ 4,828,086</u>
\$ 903,948	\$ 2,170,462	\$ 7,166,256	\$ 1,054,692	\$ 565,048	\$ 577,197
719,383	958,307	496,172	2,400,259	1,644,600	645,858
<u>\$ 1,623,331</u>	<u>\$ 3,128,769</u>	<u>\$ 7,662,428</u>	<u>\$ 3,454,951</u>	<u>\$ 2,209,648</u>	<u>\$ 1,223,055</u>

TOWN OF SMITHFIELD, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 [1]</u>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	1,174,566
Unreserved	-	-	-	-	-
Nonspendable	37,522	2,128	36,723	-	-
Restricted	130,778	161,059	176,929	-	-
Committed	144,384	22,444	19,903	-	638,907
Unassigned	5,353,610	4,878,078	4,058,330	2,691,180	2,189,060
Total general fund	<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>
All Other Governmental Funds					
Unreserved, reported in:					
Special revenue funds	\$ -	\$ -	\$ -	\$ -	-
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Restricted, reported in:					
Special revenue funds	-	-	-	-	-
Assigned, reported in:					
Special revenue funds	83,872	38,064	109,859	-	147,536
Capital project funds	8,108	8,108	8,108	8,108	8,107
Unassigned, reported in:					
Special revenue funds	-	-	-	(7,007)	-
Total all other governmental funds	<u>\$ 91,980</u>	<u>\$ 46,172</u>	<u>\$ 117,967</u>	<u>\$ 1,101</u>	<u>\$ 155,643</u>
Total fund balances	<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>

[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 described in Note 1 of the notes to the financial statements.

Table 3

	2010	2009	2008	2007	2006
\$	1,508,460	\$ 1,078,373	\$ 1,031,489	\$ 317,679	\$ 302,692
	2,552,861	2,417,959	2,616,244	3,019,368	3,984,498
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
\$	<u>4,061,321</u>	<u>3,496,332</u>	<u>3,647,733</u>	<u>3,337,047</u>	<u>4,287,190</u>
\$	9,618	\$ (25,827)	\$ 414,963	\$ (127,663)	\$ -
	8,107	8,107	8,107	8,107	2,310
	-	-	-	-	-
	-	145,062	98,448	74,635	(20,340)
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
\$	<u>17,725</u>	<u>127,342</u>	<u>521,518</u>	<u>(44,921)</u>	<u>(18,030)</u>
\$	<u>4,079,046</u>	<u>3,623,674</u>	<u>4,169,251</u>	<u>3,292,126</u>	<u>4,269,160</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
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
2010	760,333	2,409,883	2,074,822	1,846,020	1,560,855	-	215,373	13,746	8,881,032
2009	1,304,222	2,421,575	2,314,279	7,383,665	1,077,460	-	222,188	15,041	14,738,430
2008	1,930,979	2,517,603	1,647,828	463,837	497,004	-	302,883	23,588	7,383,722
2007	1,039,257	2,329,968	3,145,030	465,502	264,793	-	340,195	33,486	7,618,231
2006	1,055,837	2,233,388	1,545,352	510,968	326,186	2,990	398,088	44,953	6,117,762

[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		From County	Miscellaneous	Total
							Commonwealth	Federal			
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
2010	2,675,489	2,109,278	493,636	66,519	182,370	5,220	1,166,576	411,184	396,312	1,829,820	9,336,404
2009	2,840,115	2,103,415	508,544	73,486	201,859	1,386	1,155,049	426,937	275,700	6,556,853	14,143,344
2008	2,450,120	2,014,067	562,925	71,222	275,518	-	1,457,021	637,673	-	45,850	7,514,396
2007	2,281,153	1,920,994	627,280	69,893	330,363	5,797	1,082,662	25,327	-	256,728	6,600,197
2006	2,232,277	1,738,016	599,756	74,210	250,850	1,177	1,026,515	3,373	-	72,527	5,998,701

[1] Includes penalties.

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

Property Tax Rates
 Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Boats	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
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
2010	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2009	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2008	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2007	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2006	\$.21/\$100	\$1/\$100 \$.21/\$100[1]	\$.25/\$100	\$.15/\$100	\$.21/\$100	\$1/\$100

[1] Mobile home rate.

Principal Taxpayers - Real Estate
June 30, 2015

Taxpayer	Type of Business	Assessed Valuation Real Estate	% of Total
Smithfield Foods, Inc.	Meat processing	\$ 41,811,700	4.00%
Gwaltney of Smithfield, Ltd.	Meat processing	30,080,300	2.87%
Cypress Creek Development Co., LLC	Land developer	11,943,100	1.14%
Cedar-Smithfield II LLC	Real estate	9,097,600	0.87%
Patrick Henry Hospital	Nursing home/Assisted Living	8,390,000	0.80%
Bradford Mews Associates	Apartment rentals	8,200,000	0.78%
Smithfield Associates LLC	Hotel/Lodging	6,821,500	0.65%
Morris Creek Landing Apartments	Apartment rentals	5,425,400	0.52%
Smithfield Square Associates	Real estate	4,866,400	0.47%
Pack Development Company LLC	Restaurant/Hotel	4,782,100	0.46%
Smithfield Ham & Products	Commercial/Industrial	4,777,400	0.46%
Premium Pet Health LLC	Pet food raw material	4,539,400	0.43%
Church Square LLC	Land developer	4,327,500	0.41%
JP Housing LP	Apartment rentals	4,152,800	0.40%
Club Forest Pine St LLC & Club	Real estate	4,010,500	0.38%
Virginia Smithfield LLC	Real estate	3,810,900	0.36%
Cypress Creek Golf Course, LLC	Land developer	3,604,500	0.34%
Smithfield Packing Company	Meat processing	3,563,100	0.34%
Smithfield Development Corp	Land developer	3,331,500	0.32%
Skyline-Fri 8 LP	Commercial Real Estate	3,145,800	0.30%
JVC LLC	Commercial Real Estate	2,858,900	0.27%
KLS Smithfield Development Group LLC	Commercial/Industrial	2,615,400	0.25%
		<u>\$ 176,155,800</u>	<u>16.84%</u>
		Assessed Valuation Personal Property	% of Total
Gwaltney of Smithfield	Meat processing	\$ 95,754,325	51.12%
Premium Pet Health LLC	Dog food plant	3,334,317	1.78%
NMHG Financial Services Inc	Equipment financing	2,438,519	1.30%
C R England Inc	Trucking/shipping	2,455,906	1.31%
Smithfield Ham & Products Co.	Meat processing	1,825,440	0.97%
All Virginia Environmental Solutions	Recycling/Trash Pickup	867,260	0.46%
Charter Communications	Cable/High Speed Internet Service Provider	990,678	0.53%
Food Lion LLC	Retail grocery	920,802	0.49%
Dailmer Trust-Smithfield Foods	Vehicle and equipment financing	650,669	0.35%
Farm Fresh #238	Retail grocery	912,468	0.49%
Farmers Service/S B Cox Ready Mix Inc	Hardware/lawn & garden/concrete supply	790,528	0.42%
Riverside Convalescent Center	Nursing home/Assisted Living	736,728	0.39%
Smithfield Packing	Meat processing	688,365	0.37%
Hampton Inn & Suites	Hotel/Lodging	500,000	0.27%
		<u>\$ 112,866,005</u>	<u>60.26%</u>

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy [1][2]	Total Current Collections [1]	Percent of Levy Collected	Total Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes [3]	Percent of Delinquent Taxes to Tax Levy
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%
2010	2,782,362	2,682,324	96.4%	49,374	2,731,698	98.2%	333,985	12.0%
2009	2,696,693	2,627,544	97.4%	46,683	2,674,227	99.2%	277,914	10.3%
2008	2,454,163	2,424,449	98.8%	23,621	2,448,070	99.8%	252,253	10.3%
2007	2,350,667	2,313,995	98.4%	21,482	2,335,477	99.4%	208,104	8.9%
2006	2,144,398	2,133,140	99.5%	18,151	2,151,291	100.3%	120,144	5.6%

[1] Exclusive of penalties and interest. Tax years 2010-2013 include VL tax as part of the personal property tax levy.

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

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

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
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
2010	6,324 [2]	1,326,157,271	4,476,754	4,470,508	6,246	0.00%	1
2009	6,324 [2]	1,310,667,802	4,924,959	4,703,341	221,618	0.02%	35
2008	6,324 [2]	1,241,516,731	5,380,722	4,936,922	443,800	0.04%	70
2007	6,324 [2]	1,181,657,578	5,977,452	5,231,094	746,358	0.06%	118
2006	6,324 [2]	842,305,875	6,604,383	5,517,897	1,086,486	0.13%	172

[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			
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%
2010	215,373	13,746	229,119	8,881,032	2.58%
2009	222,188	15,041	237,229	14,738,430	1.61%
2008	302,883	23,588	326,471	7,383,722	4.42%
2007	340,195	33,486	373,681	7,618,231	4.91%
2006	398,087	44,954	443,041	6,117,762	7.24%

Computation of Legal Debt Margin
As of June 30, 2015

Total assessed value of taxed real property	\$	1,079,000,782
Debit limit - 10% of total assessed value	\$	107,900,078
Amount of debt applicable to debt limit - gross debt		<u>4,548,745</u>
Legal debt margin	\$	<u><u>103,351,333</u></u>

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

Function/Program	Full-time Equivalent Employees as of June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government										
Management services	3.40	3.40	3.33	2.80	2.80	3.11	3.43	3.43	3.33	3.18
Finance	5.80	5.80	5.80	4.71	4.12	4.79	4.60	4.00	4.55	3.40
Planning	2.00	2.15	2.35	2.35	2.35	2.35	2.50	2.00	2.41	2.50
Building	1.00	1.00	1.00	0.90	0.88	0.85	0.98	0.98	0.50	-
Other	0.80	0.80	0.80	0.80	0.80	0.80	0.80	1.00	1.00	1.00
Police										
Officers	19.68	21.80	21.59	20.80	19.31	21.78	21.00	20.16	20.51	21.00
Civilians	4.59	3.77	3.80	2.46	3.82	4.35	3.82	3.80	4.80	4.80
Other public works										
Engineering	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Other	7.14	6.36	7.86	7.57	6.05	5.97	4.90	5.50	4.76	5.61
Park and recreation	9.43	6.56	5.33	4.92	5.08	5.26	4.23	4.23	5.28	5.91
Water	7.14	6.42	7.22	6.08	5.84	5.83	5.35	4.70	4.71	4.71
Wastewater	4.81	4.55	5.97	5.96	6.14	6.13	6.85	5.90	5.92	5.92
Total	66.59	63.41	65.85	60.15	57.99	62.02	59.26	56.50	58.57	58.83

TOWN OF SMITHFIELD, VIRGINIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2015	2014	2013	2012	2011
Police					
Physical arrests	170	279	268	199	271
Parking violations	60	22	23	21	20
Traffic violations	1,108	1,689	1,662	1,041	1,387
Fire					
Emergency responses	608	620	603	659	524
Refuse collection					
Refuse collected (tons per day) [1]	7.29	9.63	33.13	32.57	33.69
Recycling collected (tons per day) [1]	1.64	N/A	N/A	N/A	N/A
Other public works					
Street resurfacing (miles) [1]	2.52	1.5	1.25	1.23	1.40
Potholes repaired [1]	73	80	85	83	87
Water					
New connections	24	21	28	10	17
Water mains breaks	76	30	25	35	4
Average daily consumption (thousands of gallons)	829.31	835.8	828.59	822.07	810.72
Peak daily consumption (thousands of gallons)	1,886.87	1,949.25	1,968.15	1,821.23	1,879.39

[1] outsourced to subcontractors

Table 13

2010	2009	2008	2007	2006
362	387	361	354	344
99	48	37	54	66
1,817	1,991	1,503	2,052	1,799
578	650	581	425	426
9.45	9.70	9.96	9.05	9.09
N/A	N/A	N/A	N/A	N/A
1.82	6.25	3.50	-	2.60
79	48	32	26	31
31	41	41	95	110
11	22	26	24	25
824.47	806.24	880.22	810.73	820.65
2,159.77	1,734.77	1,819.71	1,482.17	1,592.79

TOWN OF SMITHFIELD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2015	2014	2013	2012	2011
Police					
Stations	1	1	1	1	1
Patrol units	21	22	22	22	21
Fire stations	1	1	1	1	1
Other public works					
Street (miles)	47.02	47.02	47.11	47.11	47.11
Streetlights	705	704	704	704	687
Traffic signals	7	7	7	7	7
Park and recreation					
Acreage*	204.556	203.296	203.296	203.296	201.901
Playgrounds	2	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 2009 resulted from the purchase of Windsor Castle Estate to be used as a public park. The estate included 196.41 acres.

Table 14

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1	1	1	1	1
22	21	22	21	21
1	1	1	1	1
47.11	47.11	47.11	43.33	41.92
686	684	667	655	651
7	7	7	7	7
201.901	201.901	5.491	5.491	5.491
2	2	2	2	2
1	1	1	1	1
38.25	38.25	38.25	38.25	38.25
1,120	625	625	625	625
38.25	38.25	38.25	38.25	38.25

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Honorable Members of 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 Town of Smithfield, Virginia, as of and for the year ended June 30, 2015, 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 January 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Smithfield, Virginia's internal control over financial reporting (internal control) to determine the 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 Town of Smithfield, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 determination of financial statement amounts. 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
January 19, 2016