

TOWN OF SMITHFIELD, VIRGINIA



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

TOWN OF SMITHFIELD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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

Public Works

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

Water and Sewer

Andrew C. Gregory (CH)
Michael G. Smith
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
Randolph H. Pack

Parks and Recreation

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

Isle of Wight Tourism Bureau

Andrew C. Gregory
T. Carter Williams

Smithfield Planning Commission

Randolph H. Pack

Intergovernmental

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

TOWN OF SMITHFIELD, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-16
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	17
Exhibit 2 Statement of Activities	18-19
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	20
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	21
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	22
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Exhibit 7 Statement of Net Position—Proprietary Funds	24
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds	25
Exhibit 9 Statement of Cash Flows—Proprietary Funds	26
Notes to Financial Statements	27-71
<u>Required Supplementary Information:</u>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund	72
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Highway Maintenance Fund	73
Exhibit 12 Schedule of Components of and Changes in Net Pension Liability and Related Ratios	74
Exhibit 13 Schedule of Employer Contributions	75
Exhibit 14 Notes to Required Supplementary Information	76

TOWN OF SMITHFIELD, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>Other Supplementary Information:</u>	
Supporting Schedules:	
Schedule 1 Schedule of Revenues—Budget and Actual—Governmental Funds	77-78
Schedule 2 Schedule of Expenditures—Budget and Actual—Governmental Funds	79-80
Other Statistical Information:	
Table 1 Net Position by Component—Last Ten Fiscal Years	81-82
Table 2 Change in Net Position—Last Ten Fiscal Years	83-84
Table 3 Fund Balances of Governmental Funds—Last Ten Fiscal Years	85-86
Table 4 General Governmental Expenditures by Function—Last Ten Fiscal Years	87
Table 5 General Governmental Revenues by Source—Last Ten Fiscal Years	88
Table 6 Property Tax Rates—Last Ten Fiscal Years	89
Table 7 Principal Taxpayers-Real Estate	90
Table 8 Property Tax Levies and Collections—Last Ten Fiscal Years	91
Table 9 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita—Last Ten Fiscal Years	92
Table 10 Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures—Last Ten Fiscal Years	93
Table 11 Computation of Legal Debt Margin	94
Table 12 Full-time Equivalent City Government Employees by Function/Program—Last Ten Fiscal Years	95
Table 13 Operating Indicators by Function/Program—Last Ten Fiscal Years	96-97
Table 14 Capital Asset Statistics by Function/Program—Last Ten Fiscal Years	98-99
<u>Compliance:</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100-101

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
the 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, 2016, 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 an opinion 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 opinion.

Opinion

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, 2016, 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 1 to the financial statements, in 2016, the Town adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. 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 and schedules related to pension funding on pages 3-16 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.

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, the individual fund financial statements and 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 17, 2017, on our consideration of Town of Smithfield, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Town of Smithfield, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
January 17, 2017

Management's Discussion and Analysis
Fiscal Year July 1, 2015 - June 30, 2016

The following discussion provides an overview and analysis of the Town of Smithfield, Virginia's (Town's) financial activities for the fiscal year ended June 30, 2016. This information should be read in conjunction with the Town's audited financial statements as reported herein.

FINANCIAL HIGHLIGHTS

- The net position of the Town increased by \$4,145,106 which represents a 9.66% increase over FY2015 (total net position-government-wide).
- The Town completed ten years of progress on the Pinewood Heights Redevelopment Project with the acquisition of eight properties and relocation of two homeowners and four tenants. Funds spent in FY2016 totaled \$873,660 with \$635,740 eligible for grant reimbursement.
- The Town increased capital assets by \$2,635,905 with the acquisition of land for a public sports complex (\$776,377), improvements to the police evidence building (\$552,140), receipt of contributed property for a public boat ramp (\$345,000), and a land swap with Smithfield Foods that included a commercial lot on Main Street (\$277,482).
- Principal payments of \$578,721 in FY2016 lowered outstanding debt to \$3,970,025 (3.6% of the legal debt limit).

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.

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

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.

Government-wide financial statements: (Continued)

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

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

Fund Financial Statements

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

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

Because the governmental funds statements present a more current focus than the information in the government-wide financial statements, a comparison between the two statements is a valuable tool for readers to understand the possible long-term impact of the government's recent financing decisions. Reconciliations of the governmental funds balance sheet and statement of revenues, expenditures, and changes are shown in Exhibits 4 and 6 on pages 21 and 23 to compare governmental funds to governmental activities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Town of Smithfield, Virginia
 Summary of Net Position
 As of June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 11,186,382	9,444,251	\$ 5,797,176	5,437,248	\$ 16,983,558	14,881,499
Capital assets	<u>22,020,121</u>	<u>20,347,547</u>	<u>15,023,743</u>	<u>15,529,335</u>	<u>37,043,864</u>	<u>35,876,882</u>
Total assets	<u>\$ 33,206,503</u>	<u>\$ 29,791,798</u>	<u>\$ 20,820,919</u>	<u>\$ 20,966,583</u>	<u>\$ 54,027,422</u>	<u>\$ 50,758,381</u>
Deferred outflows of resources	<u>\$ 145,900</u>	<u>\$ 140,484</u>	<u>\$ 68,088</u>	<u>\$ 68,891</u>	<u>\$ 213,988</u>	<u>\$ 209,375</u>
Long-term liabilities outstanding	\$ 1,125,008	\$ 1,198,316	\$ 3,071,766	\$ 3,561,537	\$ 4,196,774	\$ 4,759,853
Other liabilities	<u>818,477</u>	<u>775,097</u>	<u>225,291</u>	<u>314,688</u>	<u>1,043,768</u>	<u>1,089,785</u>
Total liabilities	<u>\$ 1,943,485</u>	<u>\$ 1,973,413</u>	<u>\$ 3,297,057</u>	<u>\$ 3,876,225</u>	<u>\$ 5,240,542</u>	<u>\$ 5,849,638</u>
Deferred inflows of resources	<u>\$ 1,919,989</u>	<u>\$ 2,136,627</u>	<u>\$ 39,118</u>	<u>\$ 84,836</u>	<u>\$ 1,959,107</u>	<u>\$ 2,221,463</u>
Net position:						
Net investment in capital assets	\$ 21,084,936	\$ 19,325,305	\$ 12,022,648	\$ 12,041,397	\$ 33,107,584	\$ 31,366,702
Restricted	1,896,404	130,778	2,261,716	2,118,384	4,158,120	2,249,162
Unrestricted	<u>6,507,589</u>	<u>6,366,159</u>	<u>3,268,468</u>	<u>2,914,632</u>	<u>9,776,057</u>	<u>9,280,791</u>
Total net position	<u>\$ 29,488,929</u>	<u>\$ 25,822,242</u>	<u>\$ 17,552,832</u>	<u>\$ 17,074,413</u>	<u>\$ 47,041,761</u>	<u>\$ 42,896,655</u>

The combined net position for the Town totals \$47,041,761, an increase of 9.66% over FY2015. The largest portion (70%) represents investments in capital assets, net of related debt used to finance the assets. These capital assets include land, buildings, machinery, and equipment. They are used to provide services to citizens, thus, they are not available for future spending. This net investment increased by \$1,740,882 in FY2016 largely due to acquisition of property and significant building renovations that were funded with existing debt. Restricted assets of \$4,158,120 comprise 9% of total net position. The governmental activities total of \$1,896,404 represents donated and/or designated funds specifically for the Pinewood Heights Redevelopment Project, the Smithfield Police Department, the anticipated sports complex, the SNAP (Supplemental Nutrition Assistance Program) program, and highway maintenance. The business-type activities total of \$2,261,716 includes its debt service, water deposit, 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. Utility deposits were added to the Town Code in FY2014 to reduce the Town's losses from unpaid bills. The sewer compliance fee was adopted on August 4, 2009 to fund expenses resulting from the regional sanitary sewer consent order. Unrestricted funds of \$9,776,057 make up 21% of total net position and increased by \$495,266 (5%) from prior year. Included in this category for governmental activities are 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 2016 as compared to 2015:

Town of Smithfield, Virginia Changes in Net Position As of June 30, 2016						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 91,602	\$ 105,848	\$ 2,792,357	\$ 2,838,673	\$ 2,883,959	\$ 2,944,521
Operating grants and contributions	1,305,965	1,263,354	-	-	1,305,965	1,263,354
Capital grants and contributions	3,555,770	150,800	150,444	211,594	3,706,214	362,394
General revenues:						
Property taxes	2,432,132	2,304,590	-	-	2,432,132	2,304,590
Other taxes	3,181,704	3,028,852	-	-	3,181,704	3,028,852
Unrestricted revenues from the use of money and property	271,179	239,991	17,172	13,117	288,351	253,108
Miscellaneous	111,620	178,676	26,793	15,663	138,413	194,339
Grants and contributions not restricted to specific programs	473,672	480,541	-	-	473,672	480,541
Gain on disposal	289,162	17,028	-	-	289,162	17,028
Total revenues	<u>\$ 11,712,806</u>	<u>\$ 7,769,680</u>	<u>\$ 2,986,766</u>	<u>\$ 3,079,047</u>	<u>\$ 14,699,572</u>	<u>\$ 10,848,727</u>
Expenses:						
General government administration	\$ 1,053,933	\$ 1,003,355	-	-	\$ 1,053,933	\$ 1,003,355
Public safety	2,395,527	2,364,059	-	-	2,395,527	2,364,059
Public works	2,462,073	2,287,246	-	-	2,462,073	2,287,246
Parks, recreation and cultural	945,848	916,654	-	-	945,848	916,654
Community development	1,144,472	1,039,243	-	-	1,144,472	1,039,243
Interest on long-term debt	44,266	41,771	-	-	44,266	41,771
Water fund	-	-	1,535,791	1,751,634	1,535,791	1,751,634
Sewer fund	-	-	972,556	1,011,978	972,556	1,011,978
Total expenses	<u>\$ 8,046,119</u>	<u>\$ 7,652,328</u>	<u>\$ 2,508,347</u>	<u>\$ 2,763,612</u>	<u>\$ 10,554,466</u>	<u>\$ 10,415,940</u>
Increase (decrease) in net position	<u>\$ 3,666,687</u>	<u>\$ 117,352</u>	<u>\$ 478,419</u>	<u>\$ 315,435</u>	<u>\$ 4,145,106</u>	<u>\$ 432,787</u>
Net position-beginning of year (restated FY 2015)	<u>\$ 25,822,242</u>	<u>\$ 24,997,273</u>	<u>\$ 17,074,413</u>	<u>\$ 16,362,797</u>	<u>\$ 42,896,655</u>	<u>\$ 41,360,070</u>
Net position-end of year	<u>\$ 29,488,929</u>	<u>\$ 25,114,625</u>	<u>\$ 17,552,832</u>	<u>\$ 16,678,232</u>	<u>\$ 47,041,761</u>	<u>\$ 41,792,857</u>

Program revenues for governmental activities make up 42% of total revenues and are comprised of charges for services, operating grants and contributions, and capital grants and contributions. Charges for governmental activities services (1%) include permits, review fees, and fines and forfeitures. The charges for services decreased by \$14,246 as inspection fees of \$9,226 and a rezoning permit of \$8,170 for two different development projects in FY2015 were not a factor in FY2016. Fines and costs increased \$4,185 and right-of-way fees/easements increased by \$3,240 to offset a decrease in review fees (-\$2,903). Operating grants and contributions of \$1,305,965 (11%) increased \$42,611 from prior year and consists of state highway maintenance funds (\$1,104,024), public safety grants (\$192,275), community development and cultural grants (\$5,042), and miscellaneous administrative and other grants (\$4,624). The annual state highway maintenance funds increased \$42,545 (4%) from FY2015 and were used to maintain street surfaces, manage storm water ditching and drainage, and support highway safety and beautification. Included in the public safety grants are annual 599 funds from the state in the amount of \$161,532 to supplement the cost of law enforcement and a fire programs grant that is passed through to the Smithfield Volunteer Fire Department (\$25,637). The most significant change in program revenues occurred in capital grants and contributions which increased from \$150,800 in FY2015 to \$3,210,770 in FY2016. In FY2015, the Town utilized \$150,800 in federal funding for the Pinewood Heights Redevelopment Project which is a multi-phase project that has been ongoing since FY2007. In FY2016, the Town

continued with the project and qualified for \$635,740 in federal community development block grant (CDBG) funding. The Smithfield Police Department received a \$50,000 contribution from Smithfield Foods for the purchase of 2 police motorcycles. Smithfield Foods also donated land valued at \$345,000 adjacent to the Town's Clontz Park fishing pier to install a public boat ramp. The largest capital contributions for FY2016, however, were specifically designated for the planned public sports complex with donations received from Mr. Joseph W. Luter III (\$2,000,000), Smithfield Foods (\$500,000), and Farmers Bank (\$25,000).

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

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Real estate tax revenue	\$ 1,767,414	\$ 1,585,907
Public Service corporation property taxes	30,601	30,753
Personal Property taxes	594,212	639,820
Penalties and interest	<u>39,905</u>	<u>48,121</u>
Total	<u>\$ 2,432,132</u>	<u>\$ 2,304,601</u>

Tax assessments for the Town are received from the Isle of Wight County Commissioner of Revenue. Real estate and personal property assessments for FY2016 totaled \$1,093,031,664 and \$163,124,755 respectively, excluding any subsequent supplements and abatements, compared to \$1,079,000,782 and \$191,544,810 for FY2015. FY2016 was a reassessment year, and the Town's real estate assessment increased 1.26% over prior year. Personal property decreased by 7%, mainly in Machinery and Tools assessments as Smithfield Foods, the Town's largest business, downsized local plant operations.

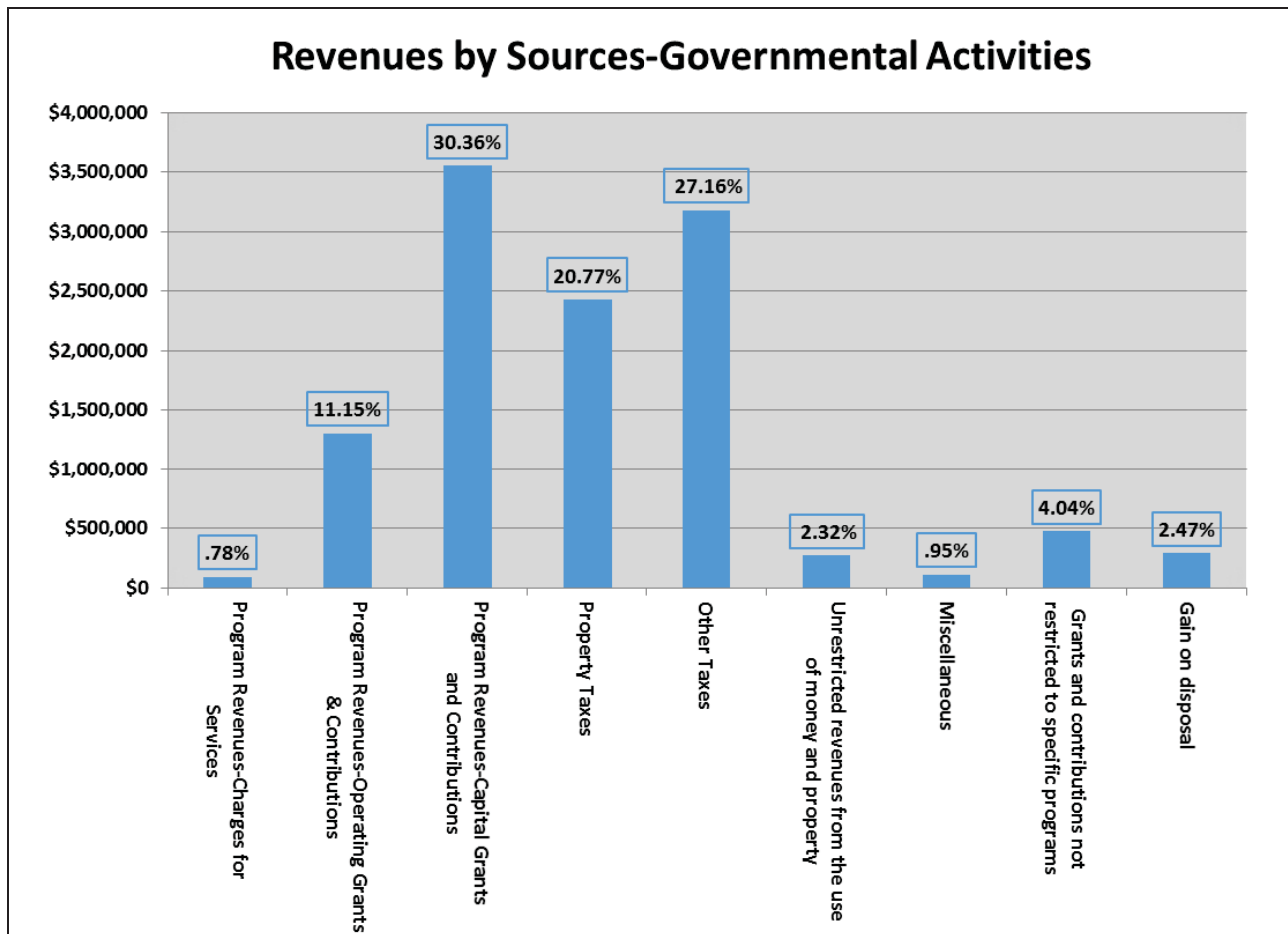
Other local taxes increased 5% for the year and include transient occupancy taxes, sales taxes, cigarette taxes, meals taxes, franchise taxes, consumers' utility taxes, business license taxes, and vehicle license taxes. Increases were balanced by offsetting decreases, but the significant rise in meals taxes accounted for the overall increase for the year. Meals tax revenues of \$1,581,713 rose \$133,554 over FY2015's total of \$1,448,159. The Town continues to dedicate one-third of its meals tax revenues (\$527,238) to the Pinewood Heights Redevelopment Project to fund its portion of required leverage. Transient occupancy taxes decreased \$5,197 (3%) as 3rd and 4th quarter revenues dipped slightly from FY2015. Sales tax revenues of \$330,898 increased by \$17,737 (6%) and were the highest sales tax revenues recorded by the Town to date. Cigarette taxes totaled \$184,676 which was an increase of \$31,559 (20%) over prior year. This tax typically fluctuates from year to year since revenues are recognized when tax stamps are sold to wholesalers who buy in bulk. Bank franchise taxes increased in FY2016 by \$7,605 compared to a decrease of \$4,382 in the prior year. This increase is misleading as the Town's share of net capital value for three of the five banking institutions located in the Town limits dropped by a combined 22% (\$12,405). In FY2015, however, the Town refunded \$20,171 to the Bank of America at the direction of the state to reimburse 3 years of overpayment. Because the Town issued no refunds in FY2016, bank franchise taxes reflected an overall increase even with the 22% drop in value. Consumers' utility taxes decreased \$1,597 (1%), remaining relatively flat from prior year. Utility taxes are imposed and levied monthly on each purchase of natural gas or electricity delivered to consumers and do not fluctuate greatly unless significant growth occurs. Business license taxes decreased from \$405,116 in FY2015 to \$390,371 in FY2016, a drop of \$14,745 (4%). Although a decrease was reflected in this category, revenues were still very strong for the year. In FY2015, the business license revenues included a large project by Riverside Health Systems to add assisted living units to its existing campus. Vehicles license taxes are billed at the same time as personal property taxes at a fee of \$20 per qualified vehicle. This tax decreased from \$148,698 in FY2015 to \$134,197 in FY2016. The drop in revenue is not indicative of a decrease in the number of vehicles, but it does emphasize the significance of delinquent collections in FY2015.

Unrestricted revenue from use of money and property represents interest income, lease income, property rental income, event rental income, and special events labor reimbursement. Revenues in this category increased by \$31,188 over FY2015. As noted last year, Smithfield Center rentals (which includes Windsor Castle Park events) continue to expand with an increase in revenues of \$19,610 over prior year and perhaps more noteworthy, \$44,701 over the last two years. Interest revenue increased by \$9,741 in FY2016 with \$8,042 attributable to the interest earned from a \$500,000 investment in the Virginia Investment Pool (VIP). Kayak rentals also grew by \$2,578 as we added additional equipment including paddle boards for public use.

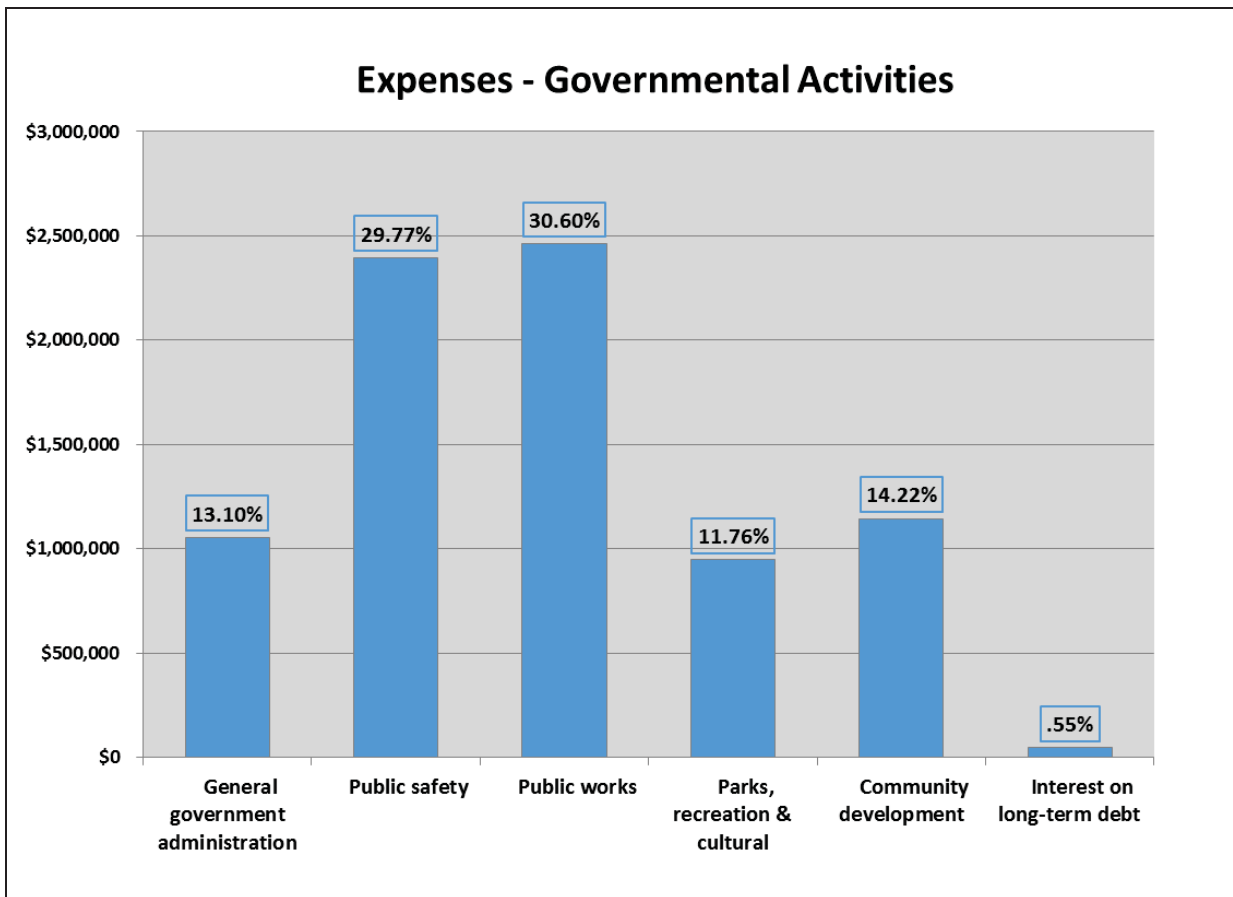
Miscellaneous revenues for FY2016 totaled \$111,620 and are made up of insurance proceeds, sale of copies, returned check charges, accident report fees, wellness and safety grants, fingerprinting, grass cutting reimbursements for yard violations, capital credit refunds, museum gift shop sales and program/lecture fees, and contributions from citizens, businesses, and non-profit organizations. Contributions for Windsor Castle (\$53,955) comprised 48% of this category for FY2016 and included \$22,455 from Smithfield Foods to reimburse the town for outbuilding stabilization and \$31,500 from Smithfield VA Events dedicated for future capital needs to enhance and preserve the park. The Town also received \$2797 from Historic Smithfield, a local non-profit, for one-half of the costs incurred for consulting fees regarding private property that has generated a great deal of public interest due to its historic nature. Donations of \$10,644 for the Isle of Wight Museum in lieu of an admission fee and \$5,188 for CHIP (Community Help In Progress) sponsored by the Smithfield Police Department rounded out the contributions for the year. The Town also received \$13,778 in insurance reimbursements from its provider, the Virginia Municipal League (VML) for claims pertaining to damages to town vehicles and public property. In addition to contributions, the Museum also brought in revenues of \$16,665 from gift shop sales (\$9,752) and programs and lecture fees (\$6,913).

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 taxes are 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 taxes collected and deductions applied by the state. Communications taxes of \$229,050 for FY2016 decreased \$6,988 from FY2015 marking a decline for the third consecutive year. Rolling stock, mobile home tax, and short term rental tax collectively totaled \$3,826 that was consistent with the prior year total of \$3,699.

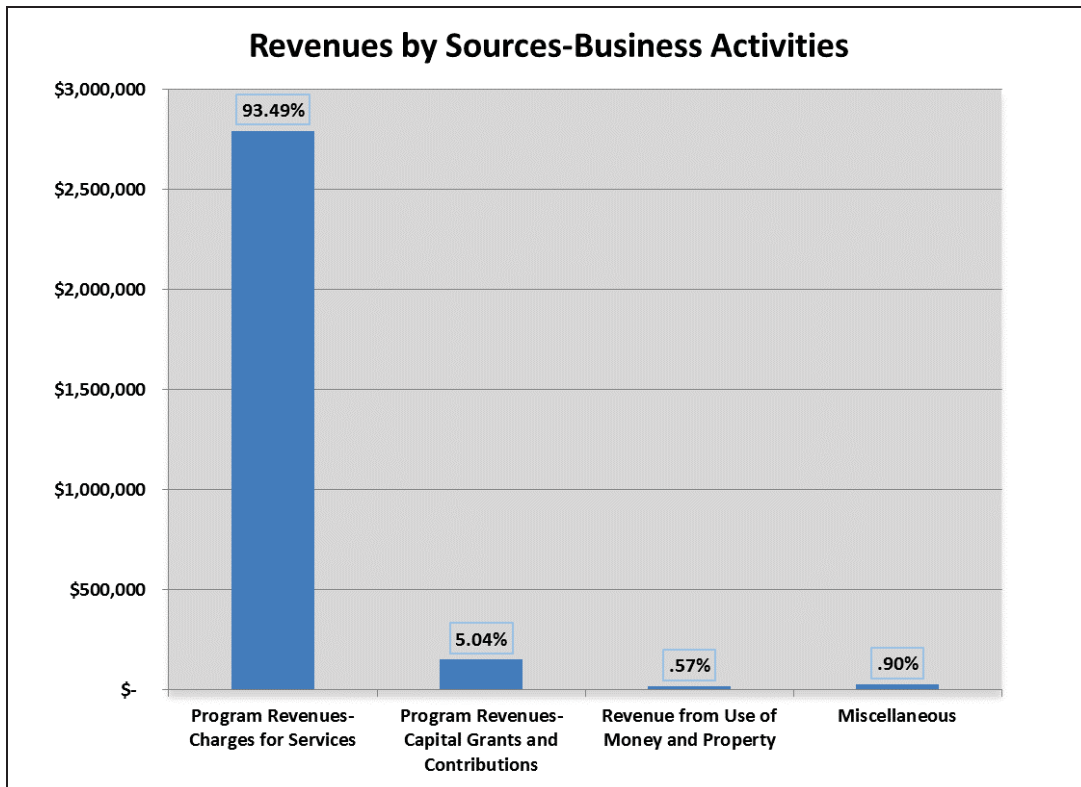
Gain on disposal of assets of \$289,162 includes \$277,482 for a land swap with Smithfield Foods and \$11,680 for sale of equipment and vehicles including four retired police vehicles.



Total expenditures for FY2016 governmental activities totaled \$8,046,119 compared to \$7,652,328 for FY2015, an increase of \$393,791 (5%). These expenses are categorized as general government administration, public safety, public works, parks, recreation, and culture, community development, and interest on long term debt. General government expenditures increased \$48,606 over FY2015. The majority of that increase resulted from an increase in salaries and benefits due to a 5% cost of living increase for all employees, a mandatory 1% increase required for VRS (Virginia Retirement System) Plan 1 employees, and a plan year increase of 5.25% for medical premiums. The mandatory VRS increase has been in place since FY2013 with the express purpose of shifting the required 5% employee retirement contributions from the Town to its employees. Previously, the Town, consistent with most localities across the state, had paid the employees' 5% in addition to its own required contributions. The Town opted to spread the increase over a five year period (1% each year) and will reach that threshold in FY2017. The Treasurer's department also added the Receptionist/Secretary position that was previously budgeted in the Public Works Department. Public safety and public works (including highway maintenance) are the largest cost centers and accounted for 60% of total costs compared to 45% for FY2015. Public safety increased by \$27,723 from the prior year with account increases in labor and benefits offset by decreases in public safety contributions. Notably, to offset the increase in salary and benefits of \$127,579, the Town's annual E911 contribution to Isle of Wight County for central dispatch decreased by \$62,345 and a \$10,500 contribution to the Commonwealth's Attorney's office for software in FY2015 was eliminated. Additional savings in fuel (-\$9,352), vehicle maintenance (-\$7,228), travel and training (-\$6,377), and uniforms (-\$3,985) all contributed to minimizing the impact of personnel cost increases. Public Works ended the fiscal year with the most significant departmental expenses increase of \$174,212 from prior year. Of that increase, \$100,000 accounted for a contribution to Isle of Wight County for sidewalks on Great Springs Road within the Town limits. Additionally, the Town's highway expenses increased by \$83,201 from prior year as the Town spent state grant funding allocated for the maintenance of its street system. Parks, recreation, and culture reflected an increase in expenditures of \$28,055 largely because of engineering work incurred for the Waterworks Dam (\$25,843) regarding routine and primary spillway maintenance. Community Development reflected the second largest increase for the fiscal year (\$112,700) as a result of progress made in Phase II-MY2 of the Pinewood Heights Redevelopment Project. The Town acquired 8 properties and relocated 2 owners and 4 renters during the fiscal year. Interest on long-term debt increased only \$2,495. The Town did not issue new debt during FY2016.

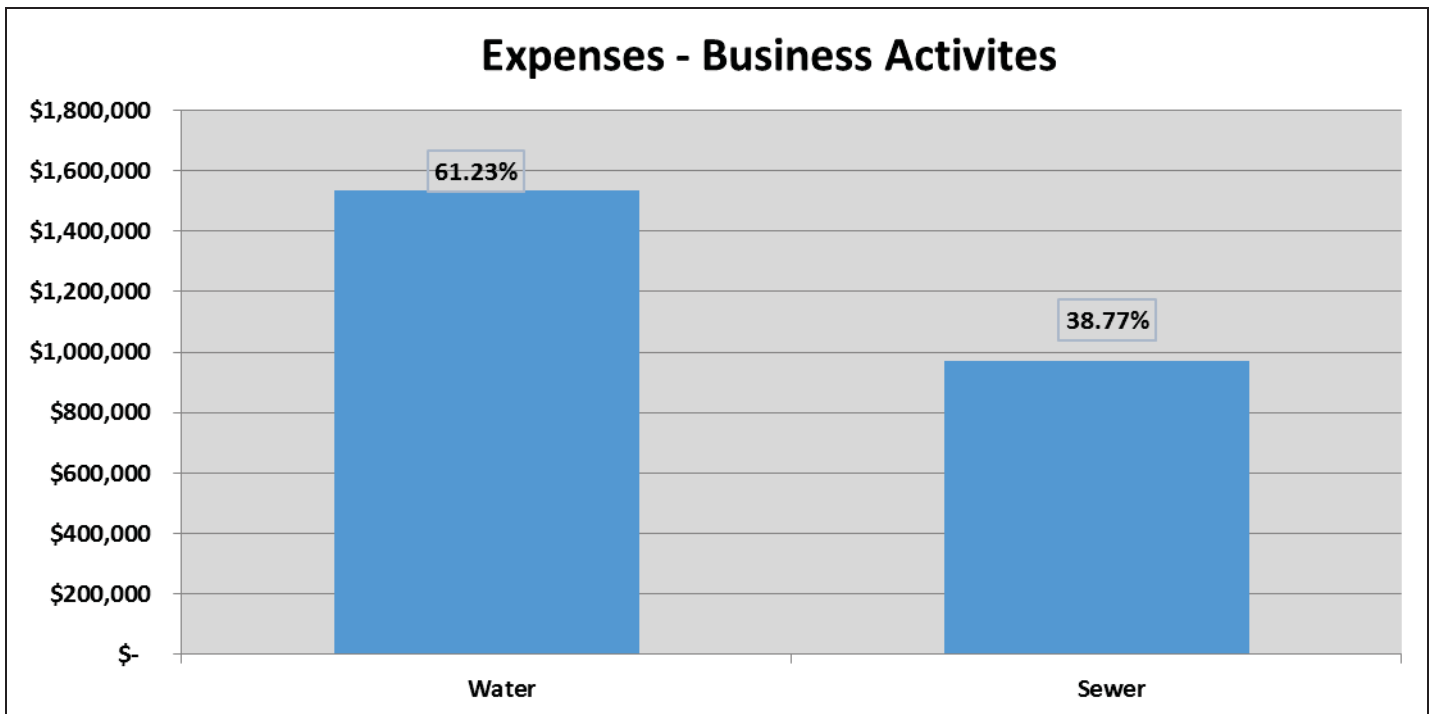


Business-Type Activities. The business-type activities show an increase in net position of \$478,419 for FY2016 compared to FY2015. Program revenues include charges for services that decreased by \$46,316 and capital grants and contributions that decreased by \$61,150. Included in charges for services are utility charges, bulk water sales, debt service fees, sewer compliance fees, and connection fees. Water and sewer consumption dropped from prior year leading to a decrease in water and sewer billings of \$40,923. Most of the decrease was in water (\$-31,165) with \$13,483 directly attributable to a drop in water sales to Isle of Wight County for its Gatling Pointe subdivision. The Town services two meters to the subdivision and bills Isle of Wight County a blended rate of \$6.41 per 1,000 gallons. The blended rate is calculated based on the number of homes, the fixed debt service fee per home, and the in-town resident rate. Subdivision residents are in turn billed by Isle of Wight County. Connection fees accounted for \$9,570 of the decrease (21%) and reflected the installation of 18 residential meters (5/8") and 1 commercial meter (3/4") as compared to 24 residential meters in FY2015. Debt service fees and sewer compliance fees reflected a slight increase for the year (\$3741). They are fixed costs that are not driven by consumption, however, and therefore tend to remain stable unless there is a significant fluctuation in the number of active accounts. Capital Grants and Contributions decreased \$61,150 for the year, and include availability fees, pro-rata share fees and contributed revenue. Like connection fees, availability fees are tied directly to growth and are generally collected at the same time as connection fees. Availability fees decreased from \$160,040 in FY2015 to \$133,800 in FY2016 as 6 fewer residential meters were installed. Availability fees are deposited into the Water and Sewer Capital Escrow Funds and are used for capital maintenance on existing infrastructure and to finance new infrastructure when needed. Pro-rata share fees decreased significantly from \$28,725 last year to \$4,800 in the 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 \$11,843 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 matured on November 1, 2015 and the agreement with Smithfield Foods was satisfied in full by fiscal year end. 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 marginally (\$4,055) as capital improvements spending decreased in FY2015, leaving higher balances in escrow reserve accounts. Miscellaneous revenues of \$26,793 represent application fees for water service (\$9,292), returned check charges (\$50), insurance proceeds (\$15,405), sale of inventory items to contractors (\$1,442) and scrap metal sales (\$604). The insurance proceeds reimbursed the Town for repairs to the Reverse Osmosis (RO) plant due to lightning damage.



Utility expenses decreased \$255,265 from FY2015 with water decreasing by \$215,843 and sewer decreasing by \$39,422. The water fund recorded significant decreases in water tank maintenance (-\$77,470) and interest expense (-\$128,689). The decrease in water tank maintenance was the result of service cancellation when the contracted vendor decided to terminate tank maintenance from its business plan. The Town subsequently issued an invitation to bid for a new maintenance contract. Only one bid was received and that bid was rejected. After discussions with a representative from Kimley-Horn, one of the Town’s contracted engineering firms, staff recommended performing full tank rehabilitation by competitive bidding as needed for each tank. The decrease in interest expense was the direct result of refinancing two of its utility general obligation bonds in March 2015 with semi-annual interest payments at a rate of 1.5%. The most notable decrease in the sewer fund was depreciation (-\$40,116) as depreciation expense for current year acquisitions did not offset the reduced expense for items that reached full depreciation during the fiscal year.

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 approved an increase to the water rate from \$4.85 to \$5.68 per 1,000 gallons used. At the same time they also approved a decrease 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.



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 \$7,527,039 for FY2016, of which \$87,451 is nonspendable, \$203,984 is committed, \$1,896,404 is restricted, \$8,108 is assigned and \$5,331,092 is unassigned. This was a 31% increase from FY2015 which had a total fund balance of \$5,758,274.

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

General Fund. The general fund is the Town's primary operating fund for all governmental activities. Total fund balances for FY2016 equal \$7,423,330 and are made up of nonspendable fund balances of \$87,451, committed fund balances of \$203,984, restricted fund balances of \$1,800,803, and unassigned fund balances of \$5,331,092. The restricted fund balance was \$130,778 in FY2015. In FY2016, the Town received cash contributions of \$2,525,000 for the planned public sports complex but spent only \$859,844 towards purchase of the land and preliminary engineering and surveying work. The remainder of the funds will be applied to the project in FY2017.

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 FY2016 totaled \$95,601 which is a slight increase from a total fund balance of \$83,872 in FY2015. 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.

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 2016, the total assets of the proprietary funds equaled \$22,085,201 which is a 2% decrease over FY2015. Current assets decreased \$136,589 from prior year as intercompany balances were paid down from the water fund, but restricted assets increased \$143,038 as sewer compliance spending was limited for the second consecutive year to "find and fix" projects rather than task based engineering fees. Total capital assets decreased \$500,592 as accumulated depreciation increased by \$731,880 with only a \$226,288 increase in gross asset value. A net pension asset of \$187,610 was also recorded as required by GASB 68 Accounting and Financial Reporting for Pensions, however, the value dropped \$12,787 from FY2015.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's FY2016 budget was adopted by Town Council at a special meeting held on June 22, 2015. It was appropriated at the July 7, 2015 Town Council meeting. An amended budget was presented and adopted on June 7, 2016. The amended budget reflected an increase of \$5,368,288 (67.65%) including reserves over the previously adopted budget. While significant, the increase was necessitated by the numerous large projects ongoing in the Town. The timing of such projects can notably impact a budget especially when the locality's budget is small like the Town of Smithfield's. Specifically, revenues from other local taxes increased \$238,095, grants from the federal government increased \$679,470 and other financing sources increased by \$4,352,420. The largest change in budgeted local taxes was meals tax revenue that increased \$204,150. In FY2015, the Town eliminated the 3% discount previously allowed to retail establishments for collecting the tax; however, actual meals tax revenues for FY2016 of \$1,581,713 exceed FY2015 revenues of \$1,448,159 by 9% and were even slightly above the amended budget amount of \$1,576,650. Revenues from the federal government increased by \$679,470 to account for the Pinewood Heights Redevelopment Project. Initially, when preparing the 2016 budget, the Town had expected to complete Phase II by the end of FY2015 and a contract had not yet been signed for Phase III. Ultimately, Phase II (MY2) was not substantially completed until FY2016, and a contract was signed for Phase III on February 19, 2016 with work commencing simultaneously with Phase II. At fiscal year end, the Town was able to request \$340,000 in federal Community Development Block Grant (CDBG) funds for Phase II and \$295,740 for Phase III. For many years, the Town Council had been interested in a public sports complex primarily for the community's youth. An opportunity arose in FY2016 to purchase a 101.6 acre farm within the Town limits with 37.2 acres dedicated to the sports complex. The disposition of the remaining acres

GENERAL FUND BUDGETARY HIGHLIGHTS: (CONTINUED)

will be determined as future needs arise although not all of the property is suitable for development. Upon purchase of the property, the Town received \$2,525,000 from private sources to apply towards the cost of the project. An additional \$500,000 was also pledged but was not received before fiscal year end. The town amended its budget by \$3,125,442 to account for those contributions. The Town then began inquiries for a \$5,000,000 loan to finance multiple projects including the ball fields with the expectation that loan proceeds of \$1,102,275 would be drawn before year end. The budget was also amended to reflect those anticipated loan proceeds, but the actual loan was not secured by June 30, 2016. The Town did have access to 2 lines of credit but used neither during the fiscal year, reducing that budgeted financing source by \$450,000. A budget for restricted reserves of \$169,072 was included in the amended budget as unused loan proceeds from FY2015 were applied to the renovation of the old rescue squad building into a police evidence building. Finally, budgeted road maintenance funds were increased by \$134,697 to reflect an increase in state funding (\$42,545) and a carry forward of grant funds remaining from FY2015 (\$92,152).

Total budgeted departmental operating expenses for FY2016 increased by \$812,665 (13.11%) with fluctuations up and down between departments. There was one significant departmental increase (Community Development) and one significant decrease (Debt Service). The budget for Community Development increased from \$319,949 to \$1,495,002, an increase of \$1,175,053. As noted in the discussion of general budgetary revenues, the Town did not initially budget for the Pinewood Heights Redevelopment Project in FY2016. Expenses for the project as of fiscal year end totaled \$873,660 with \$635,740 eligible for CDBG reimbursement. This was below the amended budget amount by \$301,393 but the project will continue into FY2017. The budget for debt service was reduced by \$455,160 as the Town determined it would not draw funds on either of its lines of credit before June 30. Actual debt service payments of \$132,154 were just below the amended debt service budget of \$133,959. A smaller budget increase of \$56,954 for Public Safety reflected a reclassification of \$100,000 for sidewalks on Great Springs Road from a capital improvement to a contributed cost. Upon, audit, however, the expense was reclassified from Public Safety to Public Works. Decreases in budgeted Public Safety vehicle maintenance and fuel offset the \$100,000 budget increase by \$40,000. The budget for Parks, Recreation, and Cultural was also increased by \$48,755 largely to add engineering costs for the Clontz Park Boat Ramp and the Waterworks Dam Assessment projects. Both of those projects will also continue into FY2017. Budgeted capital outlay increased \$1,395,926 (208.47%) with the largest increase in Parks, Recreation, and Cultural (\$1,053,492) to recognize the purchase of the sports complex property and associated surveying and engineering costs (\$984,377) as well as construction costs for the Clontz Park Boat Ramp (\$50,000) and Windsor Castle Park Building Stabilization (\$12,505). All of the budgeted funds for the Windsor Castle Park Building Stabilization were spent, but the Clontz Park Boat Ramp construction was not started and will become a 2017 capital improvement. Also, a total of \$859,844 was spent on the sports complex during FY2016 but the project was just getting started and will have a significant budget in FY2017. Finally, road maintenance budget expenditures were increased by \$134,697 to account for the increase in allowable grant funds for FY2016 (\$42,545) and the carry forward of remaining FY2015 funds (\$92,152).

PROPRIETARY FUND BUDGETARY HIGHLIGHTS

The budget for proprietary funds was revised during FY2016 to reflect a net income of \$284,800 after contributions compared to the original budgeted income of \$169,253. Budgeted operating revenues decreased minimally by \$8,880 (.31%) because water billings were tracking lower than original projections. Both water and sewer billings still fell short of budget with water under by \$27,030 and sewer under by \$9,460 as consumption decreased by 3% for water and 1% for sewer. The reason for the discrepancy between water and sewer billings relates directly to the billing of two meters for Isle of Wight County's Gatling Pointe subdivision. Per an agreement with Isle of Wight County, sewer is billed at only \$1.50 per connection for the subdivision compared to \$3.50 per 1,000 gallons for the residents and businesses of the Town. Based on last year's actual, connection fees were budgeted at 25 for both water and sewer, but FY2016 fell below prior year with only 19 total connections, therefore ending the year \$12,730 under budget. Budgetary operating expenses also decreased by

PROPRIETARY FUND BUDGETARY HIGHLIGHTS: (CONTINUED)

\$29,422 (-1.46%) with \$31,022 attributable to water (-2.26%) and a partially offsetting increase in sewer of \$1600 (.25%). Several accounts contributed to the increases and decreases that made up the overall budget decrease for water including water tank maintenance (-\$78,909), truck operations (-\$3,000), professional services (\$17,000), materials and supplies (\$25,000), contractual (\$1,512), legal (\$4,875) and miscellaneous (\$2,500). The original budget for water tank maintenance was \$105,091 annually but paid quarterly (\$26,273) to a contracted vendor to address all of the water tanks in the Town's utility system. Only the first quarter was paid in FY2016 before the vendor notified the Town that they were terminating that division of their business. The Town issued an invitation for bids but ultimately rejected the one bid received and elected to seek competitive bidding as needed for each tank. The budget for professional services increased from \$20,000 to \$37,000 as engineering fees continued from prior year for work related to the Department of Environmental Quality (DEQ) required well nest and possible alternative discharge methods for the RO plant. Materials and supplies also increased from \$75,000 to \$100,000 as \$25,000 was added for new meter registers that record consumption at timed intervals and greatly assist in addressing usage inquiries. The Public Works department plans to gradually replace all meter registers in the system with the upgraded version. The \$1600 increase in the sewer budget included materials and supplies (\$4,000), miscellaneous (\$600), and truck operations (\$3,000). The increase in materials and supplies from \$46,000 to \$50,000 actually ended up being unnecessary as the year-end total was only \$39,553. Actual truck operations costs decreased for both sewer and water as gas prices continued to remain low. Depreciation expenses were not adjusted during the year, but water was under budget by \$32,635 and sewer was over budget by \$19,515 due to a miscalculation of FY2016 depreciation for items added at year end 2015. The budget for non-operating revenues and expenses was increased by \$95,005 which included increases for pro-rata share fees (\$4,800), interest revenue (\$4,800), and insurance recoveries (\$15,405) while eliminating a large contribution for a DEQ required water well nest (\$70,000). Pro-rata share fees of \$1600 per lot were paid by a developer for 3 lots during FY2016. Pro-rata share fees are paid at the time that plats are recorded. Insurance proceeds of \$15,405 were received from the Town's insurance provider, the Virginia Municipal League (VML), for expenses incurred due to a lightning strike at the RO plant. Most significant, however, was the deferral of \$70,000 for the originally budgeted well nest contribution. The Town's water permit is dependent upon the installation of this well nest that is being constructed in partnership with Smithfield Foods. The initial site selection was not acceptable, and it became obvious during the year that the Town's required contribution would be delayed. Finally, although a budget amendment was not made for availability fees, they were budgeted at \$171,000 based on 25 connection fees, but the Town only collected \$133,800 for 19 connections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of FY2016, the Town's investment in capital assets for its governmental and business-type activities totaled \$37,043,864 net of accumulated depreciation. This is an increase of \$1,166,982 from FY2015. Of this total, \$1,672,574 originated from an increase in governmental activities with an offsetting decrease in business-type activities of \$505,592. The increase in governmental activities resulted primarily from the acquisition of land (\$1,419,958) and construction in progress (\$705,898) that offset reductions in book value through depreciation and retirement of assets. Similarly, the value of business-type assets decreased as depreciation of existing assets exceeded current year spending. The Town's investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, art collection and construction in progress. The Town owns roads, streetlights, and other highway infrastructure that has been included in this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION: (CONTINUED)

Major capital asset events during the 2016 fiscal year included the following:

- Purchase of three new police vehicles and one public works vehicle
- Purchase of 8 land parcels in Phase II MY2 of the Pinewood Heights Redevelopment Project
- Purchase of a farm in the existing town limits to develop a public sports complex
- Acceptance of a contributed land parcel from Smithfield Foods Inc. to build a public boat ramp
- Acceptance of 5 parcels of land and contribution of 1 parcel in a land swap with Smithfield Foods Inc.
- Significant progress on renovation of old rescue squad building into a police evidence building
- Completion of storage building improvements for records management.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 9,689,637	\$ 8,269,679	\$ 204,481	\$ 204,481	\$ 9,894,118	\$ 8,474,160
Building and system Improvements other than buildings	3,803,927	3,852,325	7,772,566	8,036,031	11,576,493	11,888,356
Machinery & equipment	935,490	1,002,985	104,554	111,315	1,040,044	1,114,300
Vehicles	442,952	424,824	2,625,884	2,828,846	3,068,836	3,253,670
Infrastructure	330,732	364,994	106,295	122,344	437,027	487,338
Art collections	6,098,753	6,420,008	4,163,919	3,938,887	10,262,672	10,358,895
Construction in progress	10,653	10,653	-	-	10,653	10,653
	707,977	2,079	46,044	287,431	754,021	289,510
Total	\$ 22,020,121	\$ 20,347,547	\$ 15,023,743	\$ 15,529,335	\$ 37,043,864	\$ 35,876,882

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

Debt Administration. Outstanding debt for the Town at fiscal year-end 2016 totaled \$4,196,774 of which \$1,125,008 originated from governmental activities and the remaining \$3,071,766 from business-type activities. The Town did not issue new debt during FY2016, and principal paid for the year totaled \$578,721. The Town's ratio of net bonded debt to total assessed value of taxable property decreased slightly from 0.05% in FY2015 to .04% in FY2016.

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, 2016**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 537,678	\$ 559,252	\$ 3,034,840	\$ 3,514,667	\$ 3,572,518	\$ 4,073,919
Notes payable	397,507	462,990	-	11,837	397,507	474,827
Compensated absences	189,823	176,074	36,926	35,033	226,749	211,107
Total	\$ 1,125,008	\$ 1,198,316	\$ 3,071,766	\$ 3,561,537	\$ 4,196,774	\$ 4,759,853

ECONOMIC FACTORS

During FY2016 the Town of Smithfield acquired land that will bring additional amenities to both residents and visitors. After considerable negotiation, the Town purchased a 101.6 acre farm off of West Main Street. Approximately 37.2 acres of the farm will be used to develop a public sports complex that will be known as the Joseph W. Luter Jr. Sports Complex. The project, scheduled for completion in the fall of 2017, is expected to feature 5 baseball fields and an outdoor football/soccer field. In addition, the Town received 5.7 acres of contributed land from Smithfield Foods Inc. to be used as the site for a public boat ramp. Finally, the Town transacted a land swap with Smithfield Foods Inc. in which it obtained 5 parcels off of Main Street and Cedar Street that included one commercial building and vital access to utility infrastructure. Numerous ongoing projects such as Phase III of the Pinewood Heights Redevelopment Project, water and sewer upgrades on Main Street, and restoration plans at Windsor Castle Park that focus on the Manor House and some of its outbuildings will continue into FY2017. The Town has been fortunate to receive significant private donations and state and federal grants that assist with the implementation of the many projects that enhance the quality of life for the Town's citizens and increase its appeal to local businesses and tourists.

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 2016. 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

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Position
As of June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,625,675	\$ 3,386,585	\$ 8,012,260
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,830,754	-	1,830,754
Accounts receivable	281,589	603,158	884,747
Interest receivable	106	-	106
Unearned incentive	205,000	-	205,000
Internal balances	892,914	(892,914)	-
Due from other governmental units	563,211	2,282	565,493
Inventories	37,059	135,574	172,633
Prepaid items	50,392	-	50,392
Restricted assets:			
Cash and cash equivalents	1,902,663	2,374,881	4,277,544
Net pension asset	797,019	187,610	984,629
Capital assets (net of accumulated depreciation):			
Land	9,689,637	204,481	9,894,118
Buildings and system	3,803,927	7,772,566	11,576,493
Improvements other than buildings	935,490	104,554	1,040,044
Machinery and equipment	442,952	2,625,884	3,068,836
Vehicles	330,732	106,295	437,027
Infrastructure	6,098,753	4,163,919	10,262,672
Art collections	10,653	-	10,653
Construction in progress	707,977	46,044	754,021
Total assets	\$ 33,206,503	\$ 20,820,919	\$ 54,027,422
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ -	\$ 33,745	\$ 33,745
Net difference between actual and expected experience - pension	3,893	916	4,809
Pension contributions subsequent to measurement date	142,007	33,427	175,434
Total deferred outflows of resources	\$ 145,900	\$ 68,088	\$ 213,988
LIABILITIES			
Accounts payable	\$ 454,857	\$ 77,882	\$ 532,739
Accrued liabilities	51,459	-	51,459
Accrued wages & payroll liabilities	61,727	13,356	75,083
Customer deposits	-	113,165	113,165
Accrued interest payable	192	20,888	21,080
Due to other governmental units	207,945	-	207,945
Due to taxpayers	42,297	-	42,297
Long-term liabilities:			
Due within one year	167,972	414,852	582,824
Due in more than one year	957,036	2,656,914	3,613,950
Total liabilities	\$ 1,943,485	\$ 3,297,057	\$ 5,240,542
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 1,753,804	\$ -	\$ 1,753,804
Items related to measurement of net pension asset	166,185	39,118	205,303
Total deferred inflows of resources	\$ 1,919,989	\$ 39,118	\$ 1,959,107
NET POSITION			
Net investment in capital assets	\$ 21,084,936	\$ 12,022,648	\$ 33,107,584
Restricted:			
Town beautification	13,574	-	13,574
Pinewood Heights escrow	46,735	-	46,735
South Church Street projects	36,232	-	36,232
SNAP program	2,265	-	2,265
Police department expenditures	36,841	-	36,841
Sports complex	1,665,156	-	1,665,156
Highway maintenance	95,601	-	95,601
Debt service	-	884,741	884,741
Sewer compliance	-	1,376,975	1,376,975
Unrestricted	6,507,589	3,268,468	9,776,057
Total net position	\$ 29,488,929	\$ 17,552,832	\$ 47,041,761

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,053,933	\$ -	\$ -	\$ -
Public safety	2,395,527	68,527	189,836	50,030
Public works	2,462,073	-	1,111,087	-
Parks, recreation, and cultural	945,848	-	5,000	2,870,000
Community development	1,144,472	23,075	42	635,740
Interest on long-term debt	44,266	-	-	-
Total governmental activities	\$ 8,046,119	\$ 91,602	\$ 1,305,965	\$ 3,555,770
Business-type activities:				
Water	\$ 1,535,791	\$ 1,590,719	\$ -	\$ 55,720
Sewer	972,556	1,201,638	-	94,724
Total business-type activities	\$ 2,508,347	\$ 2,792,357	\$ -	\$ 150,444
Total primary government	\$ 10,554,466	\$ 2,883,959	\$ 1,305,965	\$ 3,706,214

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

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
\$ (1,053,933)	\$ -	\$ (1,053,933)
(2,087,134)	-	(2,087,134)
(1,350,986)	-	(1,350,986)
1,929,152	-	1,929,152
(485,615)	-	(485,615)
(44,266)	-	(44,266)
<u>\$ (3,092,782)</u>	<u>\$ -</u>	<u>\$ (3,092,782)</u>
\$ -	\$ 110,648	\$ 110,648
-	323,806	323,806
<u>\$ -</u>	<u>\$ 434,454</u>	<u>\$ 434,454</u>
<u>\$ (3,092,782)</u>	<u>\$ 434,454</u>	<u>\$ (2,658,328)</u>
\$ 2,432,132	\$ -	\$ 2,432,132
330,898	-	330,898
390,371	-	390,371
196,528	-	196,528
1,581,713	-	1,581,713
184,676	-	184,676
134,197	-	134,197
363,321	-	363,321
271,179	17,172	288,351
111,620	26,793	138,413
473,672	-	473,672
289,162	-	289,162
<u>\$ 6,759,469</u>	<u>\$ 43,965</u>	<u>\$ 6,803,434</u>
\$ 3,666,687	\$ 478,419	\$ 4,145,106
25,822,242	17,074,413	42,896,655
<u>\$ 29,488,929</u>	<u>\$ 17,552,832</u>	<u>\$ 47,041,761</u>

This page intentionally left blank

Fund Financial Statements

This page intentionally left blank

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$		7,527,039
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.			22,020,121
The net pension asset is not an available resource and, therefore, is not reported in the funds.			797,019
Pension contributions subsequent to the measurement date will be an addition to the net pension asset in the next fiscal year and, therefore, are not reported in the funds.			142,007
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	\$	85,235	
Items related to measurement of net pension asset		(162,292)	
Unearned incentive allowance		<u>205,000</u>	127,943
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(192)
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	\$	(935,185)	
Compensated absences		<u>(189,823)</u>	<u>(1,125,008)</u>
Net position of governmental activities			<u>\$ 29,488,929</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, 2016

	General	Highway Maintenance	Capital Projects	Total
REVENUES				
General property taxes	\$ 2,381,837	\$ -	\$ -	\$ 2,381,837
Other local taxes	3,181,704	-	-	3,181,704
Permits, privilege fees, and regulatory licenses	23,075	-	-	23,075
Fines and forfeitures	68,527	-	-	68,527
Revenue from the use of money and property	270,999	180	-	271,179
Miscellaneous	2,686,650	-	-	2,686,650
Intergovernmental:				
Commonwealth	675,613	1,104,024	-	1,779,637
Federal	635,740	-	-	635,740
Total revenues	<u>\$ 9,924,145</u>	<u>\$ 1,104,204</u>	<u>\$ -</u>	<u>\$ 11,028,349</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,032,973	\$ -	\$ -	\$ 1,032,973
Public safety	2,252,064	-	-	2,252,064
Public works	895,332	1,092,475	-	1,987,807
Parks, recreation, and cultural	775,156	-	-	775,156
Community development	1,144,472	-	-	1,144,472
Capital projects	1,946,638	-	-	1,946,638
Debt service:				
Principal retirement	87,057	-	-	87,057
Interest and other fiscal charges	45,097	-	-	45,097
Total expenditures	<u>\$ 8,178,789</u>	<u>\$ 1,092,475</u>	<u>\$ -</u>	<u>\$ 9,271,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,745,356</u>	<u>\$ 11,729</u>	<u>\$ -</u>	<u>\$ 1,757,085</u>
OTHER FINANCING SOURCES (USES)				
Sale of equipment	<u>\$ 11,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,680</u>
Total other financing sources (uses)	<u>\$ 11,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,680</u>
Net change in fund balances	\$ 1,757,036	\$ 11,729	\$ -	\$ 1,768,765
Fund balances - beginning	<u>5,666,294</u>	<u>83,872</u>	<u>8,108</u>	<u>5,758,274</u>
Fund balances - ending	<u><u>\$ 7,423,330</u></u>	<u><u>\$ 95,601</u></u>	<u><u>\$ 8,108</u></u>	<u><u>\$ 7,527,039</u></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, 2016

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

Net change in fund balances - total governmental funds	\$	1,768,765
--	----	-----------

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

Capital outlay	\$	1,869,768	
Depreciation expense		<u>(819,676)</u>	1,050,092

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

Gain on exchange of capital assets	\$	277,482	
Capital asset donation		<u>345,000</u>	622,482

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

Property tax revenue	\$	50,295	
Change in deferred inflows of resources related to the measurement of the net pension asset		<u>226,818</u>	277,113

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

Principal retired on general obligation bonds and notes	\$	<u>87,057</u>	87,057
---	----	---------------	--------

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	\$	(13,749)	
(Increase) decrease in net pension asset		(131,320)	
Increase (decrease) in net difference between actual and expected experience - pension		3,893	
Increase (decrease) in deferred outflows of resources related to pension payments subsequent to year-end		1,523	
(Increase)/decrease in accrued interest payable		<u>831</u>	<u>(138,822)</u>

Change in net position of governmental activities	\$	<u><u>3,666,687</u></u>
---	----	-------------------------

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

Statement of Net Position
 Proprietary Funds
 As of June 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,698,785	\$ 1,687,800	\$ 3,386,585
Receivables, net of allowances for uncollectibles accounts	354,779	248,379	603,158
Due from other funds	3,956	367,412	371,368
Due from other governmental units	-	2,282	2,282
Inventory	109,800	25,774	135,574
Total current assets	\$ 2,167,320	\$ 2,331,647	\$ 4,498,967
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 997,906	\$ 1,376,975	\$ 2,374,881
Total restricted assets	\$ 997,906	\$ 1,376,975	\$ 2,374,881
Net pension asset	\$ 106,150	\$ 81,460	\$ 187,610
Capital assets:			
Land	\$ 194,391	\$ 10,090	\$ 204,481
Improvements other than buildings	115,140	20,087	135,227
Vehicles	96,130	272,255	368,385
Buildings	7,394,018	4,192,193	11,586,211
Machinery and equipment	1,844,416	3,057,885	4,902,301
Infrastructure	3,088,425	8,086,639	11,175,064
Construction in progress	24,256	21,788	46,044
Accumulated depreciation	(3,647,612)	(9,746,358)	(13,393,970)
Total capital assets	\$ 9,109,164	\$ 5,914,579	\$ 15,023,743
Total noncurrent assets	\$ 10,213,220	\$ 7,373,014	\$ 17,586,234
Total assets	\$ 12,380,540	\$ 9,704,661	\$ 22,085,201
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 33,745	\$ -	\$ 33,745
Net difference between actual and expected experience - pension	518	398	916
Pension contributions subsequent to measurement date	18,913	14,514	33,427
Total deferred outflows of resources	\$ 53,176	\$ 14,912	\$ 68,088
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 59,010	\$ 18,872	\$ 77,882
Accrued payroll	7,767	5,589	13,356
Customer deposits	113,165	-	113,165
Accrued interest payable	16,738	4,150	20,888
Due to other funds	573,280	691,002	1,264,282
Compensated absences - current portion	7,708	5,304	13,012
Bonds payable - current portion	303,070	98,770	401,840
Total current liabilities	\$ 1,080,738	\$ 823,687	\$ 1,904,425
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 2,067,770	\$ 565,230	\$ 2,633,000
Compensated absences - net of current portion	14,572	9,342	23,914
Total noncurrent liabilities	\$ 2,082,342	\$ 574,572	\$ 2,656,914
Total liabilities	\$ 3,163,080	\$ 1,398,259	\$ 4,561,339
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension asset	\$ 22,133	\$ 16,985	\$ 39,118
Total deferred inflows of resources	\$ 22,133	\$ 16,985	\$ 39,118
NET POSITION			
Net investment in capital assets	\$ 6,772,069	\$ 5,250,579	\$ 12,022,648
Restricted	884,741	1,376,975	2,261,716
Unrestricted	1,591,693	1,676,775	3,268,468
Total net position	\$ 9,248,503	\$ 8,304,329	\$ 17,552,832
Total liabilities, deferred outflows of resources and net position	\$ 12,433,716	\$ 9,719,573	\$ 22,153,289

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, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,399,856	\$ 1,201,638	\$ 2,601,494
Charges for services-debt service	190,863	-	190,863
Miscellaneous	26,141	652	26,793
Total operating revenues	<u>\$ 1,616,860</u>	<u>\$ 1,202,290</u>	<u>\$ 2,819,150</u>
OPERATING EXPENSES			
Personnel services	\$ 389,367	\$ 261,999	\$ 651,366
Employee benefits	33,312	74,048	107,360
Contractual	68,088	34,410	102,498
Maintenance, repairs, and truck operations	56,578	51,121	107,699
RO Plant	489,735	-	489,735
Utilities	10,916	54,309	65,225
Supplies	93,754	42,399	136,153
Other charges	57,658	44,654	102,312
Depreciation	332,365	399,515	731,880
Total operating expenses	<u>\$ 1,531,773</u>	<u>\$ 962,455</u>	<u>\$ 2,494,228</u>
Operating income (loss)	<u>\$ 85,087</u>	<u>\$ 239,835</u>	<u>\$ 324,922</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 10,011	\$ 7,161	\$ 17,172
Interest expense and other fiscal charges	(4,018)	(10,101)	(14,119)
Total nonoperating revenues (expenses)	<u>\$ 5,993</u>	<u>\$ (2,940)</u>	<u>\$ 3,053</u>
Income (loss) before contributions	<u>\$ 91,080</u>	<u>\$ 236,895</u>	<u>\$ 327,975</u>
Contributed capital - availability fees	\$ 53,320	\$ 80,480	\$ 133,800
Contributed capital - development impact fees	2,400	2,400	4,800
Contributed capital - VA revolving loan	-	11,844	11,844
Total contributed capital	<u>\$ 55,720</u>	<u>\$ 94,724</u>	<u>\$ 150,444</u>
Change in net position	<u>\$ 146,800</u>	<u>\$ 331,619</u>	<u>\$ 478,419</u>
Total net position - beginning	<u>9,101,703</u>	<u>7,972,710</u>	<u>17,074,413</u>
Total net position - ending	<u><u>\$ 9,248,503</u></u>	<u><u>\$ 8,304,329</u></u>	<u><u>\$ 17,552,832</u></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, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,602,224	\$ 1,230,079	\$ 2,832,303
Payments to suppliers	(1,189,668)	(356,375)	(1,546,043)
Payments to and on behalf of employees	(475,370)	(334,098)	(809,468)
Net cash provided by (used for) operating activities	\$ (62,814)	\$ 539,606	\$ 476,792
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (76,496)	\$ (149,792)	\$ (226,288)
Capital contributions	55,720	94,724	150,444
Retirement of long-term indebtedness	(381,887)	(109,777)	(491,664)
Interest expense	(43,453)	(9,492)	(52,945)
Net cash provided by (used for) capital and related financing activities	\$ (446,116)	\$ (174,337)	\$ (620,453)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 10,011	\$ 7,161	\$ 17,172
Net cash provided by (used for) investing activities	\$ 10,011	\$ 7,161	\$ 17,172
Net increase (decrease) in cash and cash equivalents	\$ (498,919)	\$ 372,430	\$ (126,489)
Cash and cash equivalents - beginning, including restricted cash and cash equivalents of \$1,185,689 and \$1,046,154	3,195,610	2,692,345	5,887,955
Cash and cash equivalents - ending, including restricted cash and cash equivalents of \$997,906 and \$1,376,975	\$ 2,696,691	\$ 3,064,775	\$ 5,761,466
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:			
Operating income (loss)	\$ 85,087	\$ 239,835	\$ 324,922
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:			
Depreciation	332,365	399,515	731,880
(Increase) decrease in accounts receivable	(10,914)	24,708	13,794
(Increase) decrease in due from other funds	(349)	(142,730)	(143,079)
(Increase) decrease in due from other governmental units	-	3,081	3,081
(Increase) decrease in inventory	(1,855)	(4,879)	(6,734)
Increase (decrease) in compensated absences	1,033	860	1,893
Increase (decrease) in accrued payroll	(9,395)	(6,289)	(15,684)
Increase (decrease) in due to other funds	(380,194)	13,930	(366,264)
Increase (decrease) in accounts payable	(30,541)	4,197	(26,344)
(Increase) decrease in net pension asset	(24,940)	37,725	12,785
(Increase) decrease in deferred outflows of resources - pension related	(7,142)	3,124	(4,018)
Increase (decrease) in deferred inflows of resources - pension related	(12,247)	(33,471)	(45,718)
Increase (decrease) in customer deposits	(3,722)	-	(3,722)
Total adjustments	\$ (147,901)	\$ 299,771	\$ 151,870
Net cash provided by (used for) operating activities	\$ (62,814)	\$ 539,606	\$ 476,792

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

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

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

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

1. *Governmental Funds:*

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

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

2. *Proprietary Funds:*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of 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 May 1 of each year, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public notice regarding the proposed budget is circulated in accordance with Virginia statute, and at least one public hearing is conducted at the Smithfield Center to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriation resolution. Town Council may approve supplemental appropriations.
4. The legal level of control is at the function level within an individual fund. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions between departments, from the contingency line item, or that alter the total expenditures of any fund must be approved by Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, 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, 2016.

E. Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2016.

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

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

H. Inventory and Prepaid Items

All inventories, which consist of materials and supplies, are valued at cost using the weighted average method. Reported inventories are accounted for under the consumption method (i.e., recorded as expenditures when used) in the proprietary funds. The cost is recorded as an expenditure at the time individual inventory items are consumed. Quantities on hand at year end are recorded at cost on the balance sheet.

I. Allowance for Uncollectible Accounts

The Town calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes was \$116,238 at June 30, 2016. The allowance for uncollectible billings in the water and sewer funds are \$76,728 and \$58,413, 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 acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Art	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. The Town reported capitalized interest in the amount of \$0 for fiscal year 2016.

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 \$5.99 effective January 1, 2012 as part of utility rate increases adopted by the Town council. The rate was increased again as of July 1, 2013 to \$6.41 per 1,000 gallons. The Town received \$248,318 in 2016 under this agreement. On June 7, 2016 the Town Council approved a new agreement that will reduce the water rate to 6.10 per 1,000 gallons. The effective date of the agreement is July 1, 2016 for a term of 2 years.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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 and expired in March 2015. Payment has continued since the expiration date on a monthly basis based on the terms of the expired agreement. A new agreement was approved at the June 7, 2016 Town Council meeting that will increase the sewer charges to \$2.50 per 1,000 gallons. The effective date of the agreement is July 1, 2016 for a term of 2 years.

Tourism Agreement:

The Town has a memorandum of understanding with Isle of Wight County to share the operating costs of the tourism center located in Smithfield. The tourism center is for the benefit of both Smithfield and Isle of Wight County. The total amount the Town expended related to this memorandum of understanding in fiscal year 2016 was \$208,934.

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 2016.

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 2016 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 2016.

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 2016 was \$147,960.

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 several 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. Another item is the net difference between actual and expected experience related to the pension. The last 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 this item, 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 this item, 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, 2016 (Continued)

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

T. Adoption of Accounting Principle

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Town to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 72.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The Town early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

As of June 30, 2016, the Town had the following investments:

<u>Town's Rated Debt Investments</u>	
<u>Rated Debt Investments Value</u>	<u>Standard & Poor's</u>
	<u>AAf</u>
VACO/VML Virginia Investment Pool	\$ 511,670
Total	\$ <u>511,670</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).
5. Negotiable Certificates of Deposit and Bank Deposit Notes of domestic banks and domestic offices of foreign banks- Must have a rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investor Service, Inc., for maturities of one year or less and a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service for maturities over one year and not exceed five years.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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

Interest Rate Risk

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

Investment Type	Investment Maturity*	
	Fair Value	Less than 1
VACO/VML Virginia Investment Pool	\$ 511,670	\$ 511,670
Total investments	\$ 511,670	\$ 511,670

* Weighted average maturity in years.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016, are detailed as follows:

	General	Highway Maintenance	Business-type Activities	
			Water	Sewer
Town beautification	\$ 13,574	\$ -	\$ -	\$ -
South Church Street projects	36,232	-	-	-
Pinewood Heights escrow	46,735	-	-	-
Police Department	36,841	-	-	-
SNAP program	2,265	-	-	-
Sports complex	1,665,156	-	-	-
Highway maintenance	-	101,860	-	-
Debt service	-	-	889,194	-
Compliance escrow	-	-	-	1,376,975
Customer deposits	-	-	108,712	-
Total	\$ 1,800,803	\$ 101,860	\$ 997,906	\$ 1,376,975

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Town reports the following investments:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total June 30, 2016</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
VACO/VML Virginia Investment Pool	\$ 511,670	\$ 511,670	\$ -	\$ -
Total	\$ 511,670	\$ 511,670	\$ -	\$ -

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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	\$ 881,845	\$ -	\$ -	\$ 881,845
Windsor Castle	50,500	-	-	50,500
Museum	131,483	-	-	131,483
Escrow	215,593	660,902	1,206,472	2,082,967
Total	<u>\$ 1,279,421</u>	<u>\$ 660,902</u>	<u>\$ 1,206,472</u>	<u>\$ 3,146,795</u>

NOTE 3—RECEIVABLES:

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 1,946,992	\$ -
Consumer utility taxes	21,487	-
Consumption taxes	5,618	-
Interest	106	-
Transient occupancy tax	48,135	-
Meals tax	204,948	-
Other	1,401	-
Water and sewer billings	-	<u>738,299</u>
Total	\$ 2,228,687	\$ 738,299
Allowance for uncollectibles	<u>(116,238)</u>	<u>(135,141)</u>
Net receivables	<u>2,112,449</u>	<u>603,158</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 4—DUE FROM/TO OTHER GOVERNMENTS:

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

Governmental Activities:	<u>Due From</u>	<u>Due To</u>
Commonwealth:		
DCA waterworks dam grant	\$ 8,500	\$ -
Communications Tax	37,414	-
Other	-	6,983
Due from/to Commonwealth	<u>\$ 45,914</u>	<u>\$ 6,983</u>
Isle of Wight County:		
Local Sales Tax	\$ 56,526	\$ -
Fines	5,031	-
Other	-	200,962
Due from/to Isle of Wight County	<u>\$ 61,557</u>	<u>\$ 200,962</u>
Due from Federal Government:		
CDBG	<u>\$ 455,740</u>	<u>\$ -</u>
Total	<u>\$ 563,211</u>	<u>\$ 207,945</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, 2016, the balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
General Fund	\$ 901,143	\$ 178,006
Special Revenue	169,855	8,186
Capital Projects Fund	8,151	43
Enterprise Funds:		
Water Fund	3,956	573,280
Sewer Fund	367,412	691,002
Total	<u>\$ 1,450,517</u>	<u>\$ 1,450,517</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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>Oustanding 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, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 8,269,679	\$ 1,675,376	\$ 255,418	\$ 9,689,637
Construction in progress	2,079	705,898	-	707,977
Total capital assets not being depreciated	<u>\$ 8,271,758</u>	<u>\$ 2,381,274</u>	<u>\$ 255,418</u>	<u>\$ 10,397,614</u>
Capital assets being depreciated:				
Art collections	\$ 118,466	\$ -	\$ -	\$ 118,466
Buildings and system	5,460,074	140,630	-	5,600,704
Improvements other than buildings	1,726,134	-	-	1,726,134
Machinery and equipment	1,171,143	99,938	-	1,271,081
Vehicles	1,326,835	125,827	82,634	1,370,028
Infrastructure	9,599,274	-	-	9,599,274
Total capital assets being depreciated	<u>\$ 19,401,926</u>	<u>\$ 366,395</u>	<u>\$ 82,634</u>	<u>\$ 19,685,687</u>
Accumulated depreciation:				
Art collections	\$ (107,813)	\$ -	\$ -	\$ (107,813)
Buildings and system	(1,607,749)	(189,028)	-	(1,796,777)
Improvements other than buildings	(723,149)	(67,495)	-	(790,644)
Machinery and equipment	(746,319)	(81,810)	-	(828,129)
Vehicles	(961,841)	(160,089)	(82,634)	(1,039,296)
Infrastructure	(3,179,267)	(321,254)	-	(3,500,521)
Total accumulated depreciation	<u>\$ (7,326,138)</u>	<u>\$ (819,676)</u>	<u>\$ (82,634)</u>	<u>\$ (8,063,180)</u>
Net capital assets being depreciated	<u>\$ 12,075,788</u>	<u>\$ (453,281)</u>	<u>\$ -</u>	<u>\$ 11,622,507</u>
Capital assets, net	<u>\$ 20,347,546</u>	<u>\$ 1,927,993</u>	<u>\$ 255,418</u>	<u>\$ 22,020,121</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 204,481	\$ -	\$ -	\$ 204,481
Construction in progress	<u>287,431</u>	<u>37,633</u>	<u>279,020</u>	<u>46,044</u>
Total capital assets not being depreciated	<u>\$ 491,912</u>	<u>\$ 37,633</u>	<u>\$ 279,020</u>	<u>\$ 250,525</u>
Capital assets being depreciated:				
Buildings and system	\$ 11,586,211	\$ -	\$ -	\$ 11,586,211
Equipment	4,832,140	70,161	-	4,902,301
Infrastructure	10,793,648	381,416	-	11,175,064
Improvements other than buildings	135,227	-	-	135,227
Vehicles	<u>352,287</u>	<u>16,098</u>	<u>-</u>	<u>368,385</u>
Total capital assets being depreciated	<u>\$ 27,699,513</u>	<u>\$ 467,675</u>	<u>\$ -</u>	<u>\$ 28,167,188</u>
Accumulated depreciation:				
Buildings and system	\$ (3,550,180)	\$ (263,465)	\$ -	\$ (3,813,645)
Equipment	(2,003,295)	(273,122)	-	(2,276,417)
Infrastructure	(6,854,761)	(156,384)	-	(7,011,145)
Improvements other than buildings	(23,911)	(6,762)	-	(30,673)
Vehicles	<u>(229,943)</u>	<u>(32,147)</u>	<u>-</u>	<u>(262,090)</u>
Total accumulated depreciation	<u>\$ (12,662,090)</u>	<u>\$ (731,880)</u>	<u>\$ -</u>	<u>\$ (13,393,970)</u>
Net capital assets being depreciated	<u>\$ 15,037,423</u>	<u>\$ (264,205)</u>	<u>\$ -</u>	<u>\$ 14,773,218</u>
Capital assets, net	<u>\$ 15,529,335</u>	<u>\$ (226,572)</u>	<u>\$ 279,020</u>	<u>\$ 15,023,743</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$ 43,825
Public safety	190,047
Public works (Highways and streets)	415,346
Parks, recreation and cultural	<u>170,458</u>

Total governmental activities	\$ <u>819,676</u>
-------------------------------	-------------------

Business-type activities	<u>\$ 731,880</u>
--------------------------	-------------------

Construction Commitments

Construction commitments of the Town at June 30, 2016 are as follows:

Project	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Construction Standards Update	\$ 8,332	\$ 7,868
Sewer Storage Shed	4,253	7,748
Water and Sewer Master Plan	29,516	18,984
Lumar Road Water Line Tie Ins	2,720	28,280
MUNIS Conversion	30,381	127,144
Clontz Park Boat Ramp	39,212	254,000
Ball Field Development	83,467	3,640,000
Police Evidence Building Renovation	535,631	35,000
Total	<u>\$ 733,512</u>	<u>\$ 4,119,024</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016, the interest rate being charged to the Town was 3.25% and there was no balance outstanding. The unsecured line was renewed and will expire January 30, 2017.

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, 2016, the interest rate being charged to the Town was 3.5% and there was no balance outstanding. The unsecured line was to expire on July 31, 2016, however, the line was renewed and will expire on July 31, 2017.

NOTE 9—LONG-TERM OBLIGATIONS:

Governmental activities obligations

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

	<u>Balance July 1, 2015</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2016</u>
General obligation bond payable	\$ 559,252	\$ -	\$ (21,574)	\$ 537,678
Notes payable	462,990	-	(65,483)	397,507
Compensated absences	<u>176,074</u>	<u>13,749</u>	<u>-</u>	<u>189,823</u>
Totals	<u>\$ 1,198,316</u>	<u>\$ 13,749</u>	<u>\$ (87,057)</u>	<u>\$ 1,125,008</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, 2016, the balance of the bond payable was \$537,678.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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
2017	\$ 23,233	\$ 30,564	\$ 67,862	\$ 11,303
2018	24,893	29,402	54,730	9,283
2019	26,552	28,033	53,609	7,635
2020	28,212	26,573	55,266	5,978
2021	29,871	24,200	56,974	4,269
2022-2026	174,248	98,545	109,066	3,214
2027-2031	230,669	41,326	-	-
Total	\$ <u>537,678</u>	\$ <u>278,643</u>	\$ <u>397,507</u>	\$ <u>41,682</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.

	Total Amount	Amount Due Within One Year
	\$ <u>537,678</u>	\$ <u>23,233</u>

Notes Payable:

\$434,300 note payable dated April 24, 2015. Payments due annually with the final installment due 2023, bearing interest at 3.05%.

	\$ 377,359	50,442
--	------------	--------

\$80,175 note payable dated August 7, 2012. Payments due annually with the final installment due 2018, bearing interest at 4.00%.

	<u>20,148</u>	\$ <u>17,420</u>
--	---------------	------------------

Total Notes Payable

	\$ <u>397,507</u>	\$ <u>67,862</u>
--	-------------------	------------------

Compensated Absences (Note 10)

	\$ <u>189,823</u>	\$ <u>76,877</u>
--	-------------------	------------------

Total governmental activities obligations

	\$ <u>1,125,008</u>	\$ <u>167,972</u>
--	---------------------	-------------------

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations

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

	Balance July 1, 2015	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2016
General obligation bonds payable	\$ 3,514,667	\$ -	\$ (479,827)	\$ 3,034,840
Note payable	11,837	-	(11,837)	-
Compensated absences	35,033	1,893	-	36,926
Totals	<u>\$ 3,561,537</u>	<u>\$ 1,893</u>	<u>\$ (491,664)</u>	<u>\$ 3,071,766</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 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, 2016, the balance of the bond payable was \$82,840.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations (Continued)

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

Year Ending June 30,	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2017	\$ 401,840	\$ 42,277	\$ -	\$ -
2018	327,000	39,816	-	-
2019	329,000	34,587	-	-
2020	335,000	29,293	-	-
2021	336,000	23,943	-	-
2022-2023	<u>1,306,000</u>	<u>26,364</u>	-	-
Total	<u>\$ 3,034,840</u>	<u>\$ 196,280</u>	<u>\$ -</u>	<u>\$ -</u>

	Total Amount	Amount Due Within One Year
\$918,000 Series 2015A General Obligation Refunding Bond dated March 12, 2015 with principal payable annually, bearing interest at 1.50% payable semi-annually maturing on August 1, 2022.	\$ 800,000	\$ 119,000
\$2,182,000 Series 2015B General Obligation Refunding Bond dated March 12, 2015 with principal payable annually, bearing interest at 1.65% payable semi-annually and maturing on August 1, 2022.	2,152,000	200,000
\$773,266 General Obligation bond dated August 2011, with principal payable annually, bearing interest at 3.145% payable semi-annually, maturing August 2016	<u>82,840</u>	<u>82,840</u>
Total	\$ 3,034,840	\$ 401,840
Compensated Absences (Note 10)	<u>36,926</u>	<u>13,012</u>
Total business-type obligations	<u>\$ 3,071,766</u>	<u>\$ 414,852</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016, accumulated vacation and sick leave for the governmental funds amounted to \$189,823 of which \$76,877 is short-term.

At June 30, 2016, accumulated vacation and sick leave for the proprietary funds amounted to \$36,926 of which \$13,012 is short-term.

NOTE 11—PENSION PLAN:

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent 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/2015-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. 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.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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, 2016 (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>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

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, 2016 (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, 2016 (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, 2016 (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, 2016 (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, 2016 (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, 2016 (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, 2016 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2014 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	17
Inactive members:	
Vested inactive members	9
Non-vested inactive members	18
Inactive members active elsewhere in VRS	<u>32</u>
Total inactive members	59
Active members	<u>60</u>
Total covered employees	<u><u>136</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, 2016 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 \$175,434 and \$170,809 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2014, 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, 2015.

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, 2016 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 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, 2014, 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, 2015.

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, 2016 (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, 2014 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, 2016 (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, 2016 (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 Asset (a) - (b)
Balances at June 30, 2014	\$ 6,813,685	\$ 7,942,419	\$ (1,128,734)
Changes for the year:			
Service cost	\$ 327,359	\$ -	\$ 327,359
Interest	467,961	-	467,961
Differences between expected and actual experience	6,227	-	6,227
Contributions - employer	-	169,828	(169,828)
Contributions - employee	-	126,764	(126,764)
Net investment income	-	365,835	(365,835)
Benefit payments, including refunds of employee contributions	(257,044)	(257,044)	-
Administrative expenses	-	(4,907)	4,907
Other changes	-	(78)	78
Net changes	\$ 544,503	\$ 400,398	\$ 144,105
Balances at June 30, 2015	\$ 7,358,188	\$ 8,342,817	\$ (984,629)

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

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

The following presents the net pension asset of the Town using the discount rate of 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	200,402	(984,629)	(1,952,477)

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

For the year ended June 30, 2016, the Town recognized pension expense of \$36,589. At June 30, 2016, 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
Differences between expected and actual experience	\$ 4,809	\$ -
Net difference between projected and actual earnings on pension plan investments	-	205,303
Employer contributions subsequent to the measurement date	175,434	-
Total	\$ 180,243	\$ 205,303

\$175,434 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 fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting period as follows:

Year ended June 30	
2017	\$ (79,773)
2018	(79,773)
2019	(79,771)
2020	38,823

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2016, the Town's aggregate general obligation indebtedness was \$106,251,765 less than the Commonwealth of Virginia's limit. Reference Table 11 in the Other Statistical Information.

NOTE 14—RISK MANAGEMENT:

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

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

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 consist of three phases but was later extended to four to make the project financially manageable. Fiscal year 2016 marked the 10th year of the project, confirming the initial commitment made by Town Council to dedicate funding to its successful completion. As of June 30, 2016, the Town had closed out Phase I and the first half of Phase II (MY1) which included the acquisition of 42 properties, relocation of all residents, and demolition of all but 2 units. Funding consisted of \$2,024,720 from the Virginia Department of Housing and Community Development (DHCD), \$750,000 in cash and in-kind services from Isle of Wight County as well as \$261,786 in Section 8 vouchers, \$94,682 from the Southeastern Tidewater Opportunity Project (STOP) organization, and \$2,200,102 from the Town of Smithfield.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 15—COMMITMENTS: (CONTINUED)

A contract for Phase II Multi-Year 2 (MY2) was awarded on March 28, 2014. This portion of Phase II originally consisted of 4 owner occupied units, 2 tenant occupied units, and 2 vacant units for a total of 8 units but was reduced to 7 units after one owner occupied unit was moved to MY1. The budget for MY2 consisted of \$375,280 from DHCD and \$589,894 from the Town including \$21,000 in Section 8 vouchers through Isle of Wight County. The contract for Phase II MY2 expired on August 27, 2015. On August 7, 2015, the Town requested a contract extension until August 20, 2016. The relocation process took longer than expected because of clouded titles, resident credit issues, and the limited number of rental units in Smithfield where many households wished to remain. As of June 30, 2016, all 7 properties had been acquired and all relocations completed with the exception of one renter who is becoming a homeowner and faced permitting delays on his new property. Because the phase was reduced to 7 properties, the town was unable to collect the entire allocated grant funding, leaving \$35,280 that will return to the state. As of June 30, 2016, the town had spent \$319,238 towards Phase II MY2 including \$29,442 in Section 8 housing vouchers. None of the properties were demolished due to delays in resident relocations. The required demolitions will be scheduled in FY2017.

On February 19, 2016, the Town was awarded a contract for Phase III that will expire on February 18, 2018. This phase consists of 5 owner occupied units, 4 Section 8 rental units, 8 market rate rentals, one vacant housing unit, and two vacant parcels for a total of 20 properties. The budget for Phase III includes a community improvement grant of \$1,000,000 from DHCD and \$1,323,335 in leverage funds as follows: \$43,000 from the Suffolk Redevelopment & Housing Authority (SRHA) for Section 8 rents, \$43,000 from Isle of Wight Home funds, and \$1,237,335 from the Town of Smithfield. As of June 30, 2016, the Town had acquired 2 owner occupied units and had relocated one owner, 2 market rate renters, and 1 Section 8 renter who became a market rate renter. The Town expended \$390,856 towards Phase III during the fiscal year of which \$295,740 was eligible for reimbursement.

Upon completion of Phase III, the Town plans to close out the project with Phase IV. The Town expects to fund its portion of Phases III and IV with meals tax revenues that have been dedicated to the project. With a meals tax rate of 6% in FY2016, the Town collected \$1,581,713 in total meals tax revenues and earmarked \$527,238 (1/3) for Pinewood. Those funds not used in FY2016 will applied to FY2017 project expenses.

NOTE 16—UPCOMING PRONOUNCEMENTS:

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. Earlier application is encouraged.

NOTE 16—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. Earlier application is encouraged.

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. Earlier application is encouraged.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

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

This page intentionally left blank

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.

This page intentionally left blank

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	General Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 2,398,425	\$ 2,374,585	\$ 2,381,837	\$ 7,252
Other local taxes	2,852,200	3,090,295	3,181,704	91,409
Permits, privilege fees, and regulatory licenses	24,900	24,900	23,075	(1,825)
Fines and forfeitures	70,000	70,000	68,527	(1,473)
Revenue from the use of money and property	203,367	214,727	270,999	56,272
Miscellaneous	45,490	3,184,532	2,686,650	(497,882)
Intergovernmental:				
Commonwealth	677,443	675,177	675,613	436
Federal	2,250	681,720	635,740	(45,980)
Total revenues	\$ 6,274,075	\$ 10,315,936	\$ 9,924,145	\$ (391,791)
EXPENDITURES				
Current:				
General government administration	\$ 1,106,717	\$ 1,092,044	\$ 1,032,973	\$ 59,071
Public safety	2,416,105	2,373,059	2,252,064	120,995
Public works	969,663	971,399	895,332	76,067
Parks, recreation, and cultural	787,737	836,089	775,156	60,933
Community development	328,626	1,504,082	1,144,472	359,610
Capital projects	669,618	2,177,544	1,946,638	230,906
Debt service:				
Principal retirement	537,054	87,054	87,057	(3)
Interest and other fiscal charges	52,065	46,905	45,097	1,808
Total expenditures	\$ 6,867,585	\$ 9,088,176	\$ 8,178,789	\$ 909,387
Excess (deficiency) of revenues over (under) expenditures	\$ (593,510)	\$ 1,227,760	\$ 1,745,356	\$ 517,596
OTHER FINANCING SOURCES (USES)				
Issuance of line of credit	\$ 450,000	\$ -	\$ -	\$ -
Proceeds of notes	-	1,102,275	-	(1,102,275)
Sale of equipment	1,000	-	11,680	11,680
Total other financing sources (uses)	\$ 451,000	\$ 1,102,275	\$ 11,680	\$ (1,090,595)
Net change in fund balances	\$ (142,510)	\$ 2,330,035	\$ 1,757,036	\$ (572,999)
Fund balances - beginning	142,510	(2,330,035)	5,666,294	7,996,329
Fund balances - ending	\$ -	\$ -	\$ 7,423,330	\$ 7,423,330

Highway Maintenance Fund

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

For the Year Ended June 30, 2016

	Highway Maintenance Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 185	\$ 185	\$ 180	\$ (5)
Intergovernmental:				
Commonwealth	1,061,479	1,104,024	1,104,024	-
Total revenues	\$ 1,061,664	\$ 1,104,209	\$ 1,104,204	\$ (5)
EXPENDITURES				
Current:				
Public works	\$ 1,067,664	\$ 1,202,361	\$ 1,092,475	\$ 109,886
Total expenditures	\$ 1,067,664	\$ 1,202,361	\$ 1,092,475	\$ 109,886
Excess (deficiency) of revenues over (under) expenditures	\$ (6,000)	\$ (98,152)	\$ 11,729	\$ 109,881
OTHER FINANCING SOURCES (USES)				
Sale of equipment	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Total other financing sources (uses)	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Net change in fund balances	\$ -	\$ (92,152)	\$ 11,729	\$ 103,881
Fund balances - beginning	-	92,152	83,872	(8,280)
Fund balances - ending	\$ -	\$ -	\$ 95,601	\$ 95,601

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 327,359	\$ 321,427
Interest	467,961	429,561
Changes of benefit terms	-	-
Differences between expected and actual experience	6,227	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(257,044)	(147,781)
Net change in total pension liability	<u>\$ 544,503</u>	<u>\$ 603,207</u>
Total pension liability - beginning	<u>6,813,685</u>	<u>6,210,478</u>
Total pension liability - ending (a)	<u><u>\$ 7,358,188</u></u>	<u><u>\$ 6,813,685</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 169,828	\$ 225,366
Contributions - employee	126,764	133,560
Net investment income	365,835	1,071,092
Benefit payments, including refunds of employee contributions	(257,044)	(147,781)
Administrative expense	(4,907)	(5,531)
Other	(78)	57
Net change in plan fiduciary net position	<u>\$ 400,398</u>	<u>\$ 1,276,763</u>
Plan fiduciary net position - beginning	<u>7,942,419</u>	<u>6,665,656</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 8,342,817</u></u>	<u><u>\$ 7,942,419</u></u>
 Town's net pension (asset) liability - ending (a) - (b)	\$ (984,629)	\$ (1,128,734)
 Plan fiduciary net position as a percentage of the total pension liability	113.38%	116.57%
 Covered payroll	\$ 2,541,822	\$ 2,522,284
 Town's net pension (asset) liability as a percentage of covered payroll	-38.74%	-44.75%

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

Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Town					
2016	\$ 175,434	\$ 175,434	\$ -	\$ 2,636,184	6.65%
2015	170,809	170,809	-	2,541,822	6.72%
2014	225,492	225,492	-	2,522,284	8.94%
2013	222,173	222,173	-	2,485,160	8.94%
2012	130,192	130,192	-	2,337,373	5.57%
2011	130,342	130,342	-	2,340,076	5.57%
2010	109,518	109,518	-	2,291,176	4.78%
2009	113,530	113,530	-	2,375,112	4.78%
2008	122,262	122,262	-	2,255,755	5.42%
2007	116,699	116,699	-	2,153,112	5.42%

Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

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

This page intentionally left blank

Other Supplementary Information

This page intentionally left blank

Supporting Schedules

This page intentionally left blank

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

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	\$ 1,707,275	\$ 1,709,200	\$ 1,717,119	\$ 7,919
Real and personal public service corporation taxes	-	30,525	30,601	76
Personal property taxes	649,105	599,500	594,212	(5,288)
Penalties	26,615	26,315	28,820	2,505
Interest	15,430	9,045	11,085	2,040
Total general property taxes	<u>\$ 2,398,425</u>	<u>\$ 2,374,585</u>	<u>\$ 2,381,837</u>	<u>\$ 7,252</u>
Other local taxes:				
Local sales and use taxes	\$ 300,000	\$ 300,000	\$ 330,898	\$ 30,898
Cigarette taxes	130,000	150,000	184,676	34,676
Bank stock taxes	149,000	137,645	137,832	187
Business license tax	344,900	369,900	390,371	20,471
Utility license taxes	193,600	193,600	196,528	2,928
Transient taxes	170,000	180,000	175,454	(4,546)
Meals tax	1,372,500	1,576,650	1,581,713	5,063
Vehicle licenses	146,200	136,500	134,197	(2,303)
Peg Channel capital fee	-	-	1,864	1,864
Consumption tax	46,000	46,000	48,171	2,171
Total other local taxes	<u>\$ 2,852,200</u>	<u>\$ 3,090,295</u>	<u>\$ 3,181,704</u>	<u>\$ 91,409</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 24,900	\$ 24,900	\$ 23,075	\$ (1,825)
Total permits, privilege fees, and regulatory licenses	<u>\$ 24,900</u>	<u>\$ 24,900</u>	<u>\$ 23,075</u>	<u>\$ (1,825)</u>
Fines and forfeitures:				
Police fines	\$ 70,000	\$ 70,000	\$ 68,527	\$ (1,473)
Total fines and forfeitures	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 68,527</u>	<u>\$ (1,473)</u>
Revenue from use of money and property:				
Interest	\$ 8,000	\$ 11,000	\$ 21,265	\$ 10,265
Revenue from use of property	195,367	203,727	249,734	46,007
Total revenue from use of money and property	<u>\$ 203,367</u>	<u>\$ 214,727</u>	<u>\$ 270,999</u>	<u>\$ 56,272</u>
Miscellaneous:				
Miscellaneous	\$ 19,300	\$ 20,300	\$ 21,258	\$ 958
VML insurance safety grant	4,000	4,000	4,000	-
Donations	22,190	3,147,632	2,647,614	(500,018)
Insurance recoveries	-	12,600	13,778	1,178
Total miscellaneous	<u>\$ 45,490</u>	<u>\$ 3,184,532</u>	<u>\$ 2,686,650</u>	<u>\$ (497,882)</u>
Total revenue from local sources	<u>\$ 5,594,382</u>	<u>\$ 8,959,039</u>	<u>\$ 8,612,792</u>	<u>\$ (346,247)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 75	\$ 75
Communications tax	237,000	232,000	229,050	(2,950)
PPTRA	240,795	240,795	240,795	-
Auto rental tax	3,230	3,230	3,734	504
Rolling stock tax	23	18	18	-
Total noncategorical aid	<u>\$ 481,048</u>	<u>\$ 476,043</u>	<u>\$ 473,672</u>	<u>\$ (2,371)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (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	\$ 161,533	\$ 161,533	\$ 161,532	\$ (1)
Other categorical aid:				
Fire programs fund	\$ 24,294	\$ 25,627	\$ 25,637	\$ 10
Virginia Commission of Arts Grant	5,000	5,000	5,000	-
Asset forfeiture	-	1,270	1,270	-
TRIAD	2,250	2,250	1,397	(853)
SNAP program fund	-	100	42	(58)
Litter control grant	3,318	3,354	3,354	-
Other categorical aid	-	-	3,709	3,709
Total other categorical aid	\$ 34,862	\$ 37,601	\$ 40,409	\$ 2,808
Total categorical aid	\$ 196,395	\$ 199,134	\$ 201,941	\$ 2,807
Total revenue from the Commonwealth	\$ 677,443	\$ 675,177	\$ 675,613	\$ 436
Revenue from the federal government:				
Categorical aid:				
Federal Grants	\$ 2,250	\$ 3,700	\$ -	\$ (3,700)
Pinewood Heights CDBG Relocation Grant	-	678,020	635,740	(42,280)
Total categorical aid	\$ 2,250	\$ 681,720	\$ 635,740	\$ (45,980)
Total revenue from the federal government	\$ 2,250	\$ 681,720	\$ 635,740	\$ (45,980)
Total General Fund	\$ 6,274,075	\$ 10,315,936	\$ 9,924,145	\$ (391,791)
Highway Maintenance Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest	\$ 185	\$ 185	\$ 180	\$ (5)
Total revenue from local sources	\$ 185	\$ 185	\$ 180	\$ (5)
Intergovernmental:				
Revenue from the Commonwealth:				
Street and highway maintenance	\$ 1,061,479	\$ 1,104,024	\$ 1,104,024	\$ -
Total revenue from the Commonwealth	\$ 1,061,479	\$ 1,104,024	\$ 1,104,024	\$ -
Total Highway Maintenance Fund	\$ 1,061,664	\$ 1,104,209	\$ 1,104,204	\$ (5)
Total Primary Government	\$ 7,335,739	\$ 11,420,145	\$ 11,028,349	\$ (391,796)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 247,012	\$ 259,954	\$ 229,664	\$ 30,290
Town Manager	369,730	370,055	355,214	14,841
Treasurer	489,975	462,035	448,095	13,940
Total general government administration	<u>\$ 1,106,717</u>	<u>\$ 1,092,044</u>	<u>\$ 1,032,973</u>	<u>\$ 59,071</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,192,890	\$ 2,148,511	\$ 2,054,557	\$ 93,954
Total law enforcement and traffic control	<u>\$ 2,192,890</u>	<u>\$ 2,148,511</u>	<u>\$ 2,054,557</u>	<u>\$ 93,954</u>
Fire and rescue services:				
Fire department	\$ 47,294	\$ 48,627	\$ 49,297	\$ (670)
Coast Guard Auxiliary	250	250	250	-
E-911 dispatch	175,671	175,671	147,960	27,711
Total fire and rescue services	<u>\$ 223,215</u>	<u>\$ 224,548</u>	<u>\$ 197,507</u>	<u>\$ 27,041</u>
Total public safety	<u>\$ 2,416,105</u>	<u>\$ 2,373,059</u>	<u>\$ 2,252,064</u>	<u>\$ 120,995</u>
Public works:				
Public works engineering, trash removal:				
Engineering, trash removal, maintenance	\$ 807,113	\$ 816,849	\$ 754,740	\$ 62,109
Maintenance of general buildings and grounds:				
Public buildings	\$ 162,550	\$ 154,550	\$ 140,592	\$ 13,958
Total public works	<u>\$ 969,663</u>	<u>\$ 971,399</u>	<u>\$ 895,332</u>	<u>\$ 76,067</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Clontz Park	\$ 1,500	\$ 15,000	\$ 6,213	\$ 8,787
Community Wellness Initiative	-	65	65	-
SNAP Program	-	200	149	51
Cypress Creek No Wake Zone	-	1,345	1,345	-
Farmers Market	3,000	3,000	5,985	(2,985)
Fireworks	2,000	2,000	2,000	-
Fishing Pier	-	-	222	(222)
Haydens Lane Maintenance	1,500	1,500	2,018	(518)
Veterans War Memorial	1,000	1,000	1,124	(124)
Isle of Wight Arts League	10,000	10,000	10,000	-
Jersey Park Playground	1,000	2,625	2,677	(52)
Museum	131,672	134,254	132,194	2,060
Pinewood Playground	500	500	400	100
Regional Library	10,000	10,000	7,052	2,948
Smithfield Center	435,230	441,765	401,813	39,953
Town Open Space	-	-	-	-
TUMC Parking Lot	1,500	1,500	1,375	125
Waterworks Park and Dam	500	25,500	25,970	(470)
Windsor Castle Park	188,335	185,835	174,555	11,280
Total parks, recreation, and cultural	<u>\$ 787,737</u>	<u>\$ 836,089</u>	<u>\$ 775,156</u>	<u>\$ 60,933</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (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	8,677	9,080	9,076	4
YMCA Project	50,000	50,000	50,000	-
CDBG and Pinewood Heights	-	1,175,053	777,660	397,393
TRIAD	3,900	3,900	4,178	(278)
Tourism Bureau	198,049	198,049	208,934	(10,885)
Tax Relief for Elderly & Veterans	-	-	26,624	(26,624)
Western Tidewater Free Clinic	34,000	34,000	34,000	-
Total community development	<u>\$ 328,626</u>	<u>\$ 1,504,082</u>	<u>\$ 1,144,472</u>	<u>\$ 359,610</u>
Capital projects:				
Function:				
General Government - Treasurer	\$ 157,525	\$ 50,000	\$ 30,381	\$ 19,619
Public Safety - Police	176,393	296,365	182,285	114,080
Public Works - other	21,200	5,912	6,037	(125)
Public Works - public buildings	196,000	593,275	595,415	(2,140)
Public Works - sidewalks	100,000	100,000	100,000	-
Parks, Recreation and Cultural - other	8,560	15,160	15,008	152
Parks, Recreation and Cultural - sports complex	-	984,377	859,844	124,533
Parks, Recreation and Cultural - Windsor Castle Park	9,940	22,455	22,455	-
Parks, Recreation and Cultural - Clontz Park boat ramp	-	50,000	39,213	10,787
Community Development - property acquisition	-	60,000	96,000	(36,000)
Total capital projects	<u>\$ 669,618</u>	<u>\$ 2,177,544</u>	<u>\$ 1,946,638</u>	<u>\$ 230,906</u>
Debt service:				
Principal retirement and interest	\$ 537,054	\$ 87,054	\$ 87,057	\$ (3)
Interest and other fiscal charges	52,065	46,905	45,097	1,808
Total debt service	<u>\$ 589,119</u>	<u>\$ 133,959</u>	<u>\$ 132,154</u>	<u>\$ 1,805</u>
Total General Fund	<u>\$ 6,867,585</u>	<u>\$ 9,088,176</u>	<u>\$ 8,178,789</u>	<u>\$ 909,387</u>
Highway Maintenance Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highway maintenance	\$ 1,034,843	\$ 1,169,540	\$ 1,069,343	\$ 100,197
Highway capital outlay	32,821	32,821	23,132	9,689
Total Highway Maintenance Fund	<u>\$ 1,067,664</u>	<u>\$ 1,202,361</u>	<u>\$ 1,092,475</u>	<u>\$ 109,886</u>
Total Primary Government	<u>\$ 7,935,249</u>	<u>\$ 10,290,537</u>	<u>\$ 9,271,264</u>	<u>\$ 1,019,273</u>

Other Statistical Information

TOWN OF SMITHFIELD, VIRGINIA

Net Position by Component
Last Ten Fiscal Years

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

Table 1

	2011	2010	2009	2008	2007
\$	16,855,409	\$ 15,757,552	\$ 14,036,786	\$ 6,065,558	\$ 5,795,951
	-	1,526,185	776,333	1,129,937	392,314
	4,112,055	2,606,432	2,789,245	3,114,587	2,944,331
\$	<u>20,967,464</u>	<u>\$ 19,890,169</u>	<u>\$ 17,602,364</u>	<u>\$ 10,310,082</u>	<u>\$ 9,132,596</u>
\$	12,153,344	\$ 8,383,785	\$ 7,726,696	\$ 6,052,778	\$ 7,712,175
	1,440,224	4,399,841	-	4,334,848	4,540,167
	2,750,516	2,841,075	6,980,698	3,864,596	(359,379)
\$	<u>16,344,084</u>	<u>\$ 15,624,701</u>	<u>\$ 14,707,394</u>	<u>\$ 14,252,222</u>	<u>\$ 11,892,963</u>
\$	29,008,753	\$ 24,141,337	\$ 21,763,482	\$ 12,118,336	\$ 13,508,126
	1,440,224	5,926,026	776,333	5,464,785	4,932,481
	6,862,571	5,447,507	9,769,943	6,979,183	2,584,952
\$	<u>37,311,548</u>	<u>\$ 35,514,870</u>	<u>\$ 32,309,758</u>	<u>\$ 24,562,304</u>	<u>\$ 21,025,559</u>

TOWN OF SMITHFIELD, VIRGINIA

Change in Net Position
Last Ten Fiscal Years

	2016	2015	2014	2013
Expenses				
Governmental activities:				
General government administration	\$ 1,053,933	\$ 1,003,355	\$ 964,395	\$ 1,008,448
Public safety	2,395,527	2,364,059	2,397,623	2,363,849
Public works	2,462,073	2,287,246	2,388,421	2,090,010
Parks, recreation, and cultural	945,848	916,654	826,369	691,306
Community development	1,144,472	1,039,243	1,004,920	646,422
Interest on long-term debt	44,266	41,771	35,648	43,342
Total governmental activities expenses	<u>\$ 8,046,119</u>	<u>\$ 7,652,328</u>	<u>\$ 7,617,376</u>	<u>\$ 6,843,377</u>
Business-type activities:				
Water	\$ 1,535,791	\$ 1,751,634	\$ 1,632,400	\$ 1,546,489
Sewer	972,556	1,011,978	1,121,187	1,245,035
Total business-type activities expenses	<u>\$ 2,508,347</u>	<u>\$ 2,763,612</u>	<u>\$ 2,753,587</u>	<u>\$ 2,791,524</u>
Total primary government expenses	<u>\$ 10,554,466</u>	<u>\$ 10,415,940</u>	<u>\$ 10,370,963</u>	<u>\$ 9,634,901</u>
Program Revenue				
Governmental activities:				
Charges for services:	\$ 91,602	\$ 105,848	\$ 92,796	\$ 85,572
Operating grants and contributions	1,305,965	1,263,354	1,268,617	1,335,108
Capital grants and contributions	3,555,770	150,800	374,394	1,516,875
Total governmental activities program revenues	<u>\$ 4,953,337</u>	<u>\$ 1,520,002</u>	<u>\$ 1,735,807</u>	<u>\$ 2,937,555</u>
Business-type activities:				
Charges for services:				
Water	\$ 1,590,719	\$ 1,624,519	\$ 1,626,650	\$ 1,594,540
Sewer	1,201,638	1,214,154	1,201,756	1,181,471
Operating grants and contributions	-	-	-	-
Capital grants and contributions	150,444	211,594	178,369	212,202
Total business-type activities program revenues	<u>\$ 2,942,801</u>	<u>\$ 3,050,267</u>	<u>\$ 3,006,775</u>	<u>\$ 2,988,213</u>
Total primary government program revenues	<u>\$ 7,896,138</u>	<u>\$ 4,570,269</u>	<u>\$ 4,742,582</u>	<u>\$ 5,925,768</u>
Governmental activities	\$ (3,092,782)	\$ (6,132,326)	\$ (5,881,569)	\$ (3,905,822)
Business-type activities	434,454	286,655	253,188	196,689
Total primary government net expense	<u>\$ (2,658,328)</u>	<u>\$ (5,845,671)</u>	<u>\$ (5,628,381)</u>	<u>\$ (3,709,133)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 2,432,132	\$ 2,304,590	\$ 2,498,772	\$ 2,352,590
Franchise taxes	137,832	130,227	134,609	116,784
Sales taxes	330,898	313,161	293,935	259,165
Other taxes	2,712,974	2,585,464	2,319,444	2,209,427
Grants and contributions not restricted to specific programs	473,672	480,541	480,105	493,914
Gain (Loss) on disposition of capital assets	289,162	17,028	28,142	18,722
Revenues from use of property and money	271,179	239,991	205,654	193,830
Miscellaneous	111,620	178,676	68,804	138,522
Transfers	-	-	-	-
Other-Insurance Recoveries	-	-	-	4,124
Total governmental activities	<u>\$ 6,759,469</u>	<u>\$ 6,249,678</u>	<u>\$ 6,029,465</u>	<u>\$ 5,787,078</u>
Business-type activities:				
Miscellaneous	\$ 26,793	\$ 15,663	\$ 10,642	\$ 7,543
Other-Insurance Recoveries	-	-	-	7,110
Revenues from use of property and money	17,172	13,117	11,526	12,402
Total business-type activities	<u>\$ 43,965</u>	<u>\$ 28,780</u>	<u>\$ 22,168</u>	<u>\$ 27,055</u>
Total primary government	<u>\$ 6,803,434</u>	<u>\$ 6,278,458</u>	<u>\$ 6,051,633</u>	<u>\$ 5,814,133</u>
Change in Net Position				
Governmental activities	\$ 3,666,687	\$ 117,352	\$ 147,896	\$ 1,881,256
Business-type activities	478,419	315,435	275,356	223,744
Total primary government	<u>\$ 4,145,106</u>	<u>\$ 432,787</u>	<u>\$ 423,252</u>	<u>\$ 2,105,000</u>

Table 2

	2012	2011	2010	2009	2008	2007
\$	849,523	\$ 873,583	\$ 861,980	\$ 1,088,173	\$ 886,653	\$ 1,117,303
	2,357,991	2,453,686	2,416,984	2,458,180	3,292,390	2,319,484
	2,209,701	1,813,720	1,874,892	2,258,612	1,867,083	1,887,547
	740,853	806,902	599,380	594,077	465,185	514,201
	458,015	561,600	805,672	365,494	565,386	211,992
	34,721	57,712	13,760	18,451	30,409	14,903
\$	<u>6,650,804</u>	<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>
\$	1,637,463	\$ 895,899	\$ 871,765	\$ 925,985	\$ 857,058	\$ 811,100
	1,594,505	1,078,458	985,978	1,085,367	974,884	962,260
\$	<u>3,231,968</u>	<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>9,882,772</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>
\$	539,710	\$ 509,445	\$ 560,155	\$ 582,030	\$ 634,147	\$ 697,173
	1,394,579	1,287,831	1,182,407	1,175,835	2,077,963	1,076,220
	2,281,395	1,202,583	2,548,708	7,204,294	621,784	40,500
\$	<u>4,215,684</u>	<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>
\$	1,521,884	\$ 1,299,332	\$ 1,432,182	\$ 1,466,705	\$ 1,358,845	\$ 1,435,244
	1,370,018	1,357,910	1,167,007	912,995	932,841	1,130,904
	-	-	-	2,574	265,618	-
	120,586	18,737	184,334	16,975	1,353,581	459,636
\$	<u>3,012,488</u>	<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>7,228,172</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>
\$	(2,435,120)	\$ (3,567,344)	\$ (2,281,398)	\$ 2,179,172	\$ (3,773,212)	\$ (4,251,537)
	(219,480)	701,622	925,780	387,897	2,078,943	1,252,424
\$	<u>(2,654,600)</u>	<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>
\$	2,602,423	\$ 2,670,808	\$ 2,707,054	\$ 2,717,017	\$ 2,473,865	\$ 2,411,387
	131,046	143,231	141,404	92,375	98,592	161,843
	323,039	263,813	263,029	284,054	279,583	274,948
	1,905,360	1,722,320	1,704,845	1,726,986	1,635,892	1,481,890
	-	7,637	7,025	19,405	76,731	33,583
	(900,500)	(355,905)	(507,496)	-	-	-
	306,049	46,373	70,247	77,219	152,724	195,123
	19,269	4,796	12,201	-	-	-
	-	(41,000)	41,000	41,000	41,000	41,000
	34,018	9,219	12,551	29,028	69,517	216,811
\$	<u>4,420,704</u>	<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>
\$	3,091	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	14,449	17,761	32,527	108,275	321,316	392,176
\$	<u>14,449</u>	<u>\$ 17,761</u>	<u>\$ 32,527</u>	<u>\$ 108,275</u>	<u>\$ 321,316</u>	<u>\$ 392,176</u>
\$	<u>4,435,153</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>
\$	1,985,584	\$ 903,948	\$ 2,170,462	\$ 7,166,256	\$ 1,054,692	\$ 565,048
	(205,031)	719,383	958,307	496,172	2,400,259	1,644,600
\$	<u>1,780,553</u>	<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>

TOWN OF SMITHFIELD, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2016	2015	2014	2013	2012
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	-
Unreserved	-	-	-	-	-
Nonspendable	87,451	37,522	2,128	36,723	-
Restricted	1,800,803	130,778	161,059	176,929	-
Committed	203,984	144,384	22,444	19,903	-
Unassigned	5,331,092	5,353,610	4,878,078	4,058,330	2,691,180
Total general fund	\$ 7,423,330	\$ 5,666,294	\$ 5,063,709	\$ 4,291,885	\$ 2,691,180
All Other Governmental Funds					
Unreserved, reported in:					
Special revenue funds	\$ -	\$ -	\$ -	\$ -	-
Capital project funds	-	-	-	-	-
Restricted, reported in:					
Special revenue funds	95,601	-	-	-	-
Assigned, reported in:					
Special revenue funds	-	83,872	38,064	109,859	-
Capital project funds	8,108	8,108	8,108	8,108	8,108
Unassigned, reported in:					
Special revenue funds	-	-	-	-	(7,007)
Total all other governmental funds	\$ 103,709	\$ 91,980	\$ 46,172	\$ 117,967	\$ 1,101
Total fund balances	\$ 7,527,039	\$ 5,758,274	\$ 5,109,881	\$ 4,409,852	\$ 2,692,281

[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

	2011 [1]	2010	2009	2008	2007
\$	1,174,566	\$ 1,508,460	\$ 1,078,373	\$ 1,031,489	\$ 317,679
	-	2,552,861	2,417,959	2,616,244	3,019,368
	-	-	-	-	-
	-	-	-	-	-
	638,907	-	-	-	-
	2,189,060	-	-	-	-
\$	<u>4,002,533</u>	<u>\$ 4,061,321</u>	<u>\$ 3,496,332</u>	<u>\$ 3,647,733</u>	<u>\$ 3,337,047</u>
\$	-	\$ 9,618	\$ (25,827)	\$ 414,963	\$ (127,663)
	-	8,107	8,107	8,107	8,107
	-	-	145,062	98,448	74,635
	147,536	-	-	-	-
	8,107	-	-	-	-
	-	-	-	-	-
\$	<u>155,643</u>	<u>\$ 17,725</u>	<u>\$ 127,342</u>	<u>\$ 521,518</u>	<u>\$ (44,921)</u>
\$	<u>4,158,176</u>	<u>\$ 4,079,046</u>	<u>\$ 3,623,674</u>	<u>\$ 4,169,251</u>	<u>\$ 3,292,126</u>

General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Buildings and Works [1]	Parks Recreational and Cultural	Community Development and Nondepartmental	Capital Projects	Debt Service Principal	Debt Service Interest and Issuance Costs	Total
2016	\$ 1,032,973	\$ 2,252,064	\$ 1,987,807	\$ 775,156	\$ 1,144,472	\$ 1,946,638	\$ 87,057	\$ 45,097	\$ 9,271,264
2015	992,342	2,269,098	1,943,321	750,219	1,039,243	588,277	45,492	40,748	7,668,740
2014	917,447	2,249,828	2,032,428	662,467	856,680	183,990	35,210	35,648	6,973,698
2013	934,052	2,328,340	2,730,845	635,558	656,362	-	482,211	43,345	7,810,713
2012	839,491	2,559,397	6,138,421	581,972	785,664	-	18,227	34,721	10,957,893
2011	773,996	2,445,825	3,198,945	866,696	1,221,142	-	6,246	57,712	8,570,562
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

[1] Includes highway maintenance.

General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes [1]	Other Local Taxes	License, Permits and Privilege Fees	Fines and Forfeitures	Use of Money and Property	Program	Intergovernmental			Miscellaneous	Total
							Commonwealth	Federal	Local-County		
2016	\$ 2,381,837	\$ 3,181,704	\$ 23,075	\$ 68,527	\$ 271,179	-	\$ 1,779,637	\$ 635,740	-	\$ 2,686,650	\$ 11,028,349
2015	2,410,696	3,028,852	41,506	64,342	239,991	-	1,740,239	154,456	-	178,676	7,858,758
2014	2,407,227	2,747,988	19,043	73,753	205,654	-	1,720,439	384,334	-	87,147	7,645,585
2013	2,361,401	2,585,376	17,176	68,396	193,830	-	1,853,459	682,438	5,559	947,087	8,714,722
2012	2,601,296	2,152,082	483,943	55,767	469,018	-	1,325,597	1,047,197	354,559	1,002,539	9,491,998
2011	2,681,191	2,129,364	441,428	68,017	172,447	936	1,153,683	1,096,213	134,871	771,542	8,649,692
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

[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
2016	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2015	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2014	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2013	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2012	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2011	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
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

[1] Mobile home rate.

Principal Taxpayers - Real Estate
June 30, 2016

Taxpayer	Type of Business	Assessed Valuation Real Estate	% of Total
Smithfield Foods, Inc.	Meat processing	\$ 41,940,700	3.93%
Smithfield Farmland Corp	Meat processing	30,412,700	2.85%
Suso 4 Smithfield FF LP	Real Estate	13,253,600	1.24%
Cypress Creek Development Co., LLC	Land developer	10,006,900	0.94%
Bradford Mews Associates	Apartment rentals	8,380,800	0.79%
Patrick Henry Hospital	Nursing home/Assisted Living	7,207,600	0.68%
Smithfield Associates LLC	Hotel/Lodging	6,821,500	0.64%
Morris Creek Landing Apartments	Apartment rentals	6,373,700	0.60%
Pack Development Company LLC	Restaurant/Hotel	4,765,264	0.45%
Smithfield Ham & Products	Commercial/Industrial	4,730,800	0.44%
Premium Pet Health LLC	Pet food raw material	4,563,500	0.43%
Smithfield Square Associates	Real estate	4,364,000	0.41%
JP Housing LP	Apartment rentals	3,813,500	0.36%
Church Square LLC	Land developer	3,762,700	0.35%
Skyline-Fri 8 LP	Commercial Real Estate	3,108,700	0.29%
KLS Smithfield Development Group LLC	Commercial/Industrial	2,643,800	0.25%
JVC LLC	Commercial Real Estate	2,615,900	0.25%
Little Robert J III & Anne R	Commercial Real Estate	2,505,700	0.23%
Smithfield Packing Company	Meat processing	2,505,400	0.23%
LMB Auburn Hills I LLC	Commercial/Industrial	2,417,100	0.23%
7-Eleven Inc	Commercial/Industrial	2,384,700	0.22%
		\$ 168,578,564	15.81%
		Assessed Valuation Personal Property	% of Total
Gwaltney of Smithfield	Meat processing	\$ 73,758,258	45.22%
Premium Pet Health LLC	Dog food plant	3,385,914	2.08%
C R England Inc	Trucking/shipping	2,455,906	1.51%
All Virginia Environmental Solutions	Recycling/Trash Pickup	587,779	0.36%
Charter Communications	Cable/High Speed Internet Service Provider	1,012,807	0.62%
Food Lion LLC	Retail grocery	918,958	0.56%
Farm Fresh #238	Retail grocery	912,219	0.56%
Farmers Service Co Inc	Hardware/lawn & garden/concrete supply	693,153	0.42%
Riverside Convalescent Center	Nursing home/Assisted Living	755,546	0.46%
Hampton Inn & Suites	Hotel/Lodging	500,000	0.31%
Dailmer Trust-Smithfield Foods	Vehicle and equipment financing	437,832	0.27%
		\$ 85,418,372	52.36%

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
2016	\$ 2,602,315	\$ 2,530,923	97.3%	\$ 25,179	\$ 2,556,102	98.2%	\$ 205,135	7.9%
2015	2,620,463	2,541,353	97.0%	62,029	2,603,382	99.3%	186,735	7.1%
2014	2,629,086	2,552,923	97.1%	49,288	2,602,211	99.0%	228,354	8.7%
2013	2,687,986	2,597,231	96.6%	65,467	2,662,698	99.1%	327,334	12.2%
2012	2,707,913	2,615,584	96.6%	54,429	2,670,013	98.6%	294,531	10.9%
2011	2,762,912	2,660,799	96.3%	91,482	2,752,281	99.6%	334,882	12.1%
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%

[1] Exclusive of penalties and interest. Tax years 2010-2016 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
2016	8,287 [1]	\$ 1,264,903,187	\$ 3,970,025	\$ 3,034,840	\$ 935,185	0.07%	\$ 113
2015	8,287 [1]	1,270,545,592	4,548,745	3,526,503	1,022,242	0.08%	123
2014	8,220 [1]	1,262,169,562	4,494,595	3,861,161	633,434	0.05%	77
2013	8,143 [1]	1,242,935,697	4,948,510	4,279,866	668,644	0.05%	82
2012	8,089 [1]	1,291,801,806	5,303,476	4,682,823	620,653	0.05%	77
2011	8,089 [1]	1,315,267,714	4,870,677	4,231,770	638,907	0.05%	79
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

[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			
2016	\$ 87,057	\$ 45,097	\$ 132,154	\$ 9,271,264	1.43%
2015	45,492	40,748	86,240	7,668,740	1.12%
2014	35,210	35,648	70,858	6,973,698	1.02%
2013	32,214	43,342	75,556	7,810,713	0.97%
2012	18,254	34,721	52,975	10,960,611	0.48%
2011	6,246	57,712	63,958	8,570,562	0.75%
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%

Computation of Legal Debt Margin
As of June 30, 2016

Total assessed value of taxed real property	\$	1,102,217,895
Debit limit - 10% of total assessed value	\$	110,221,790
Amount of debt applicable to debt limit - gross debt		<u>3,970,025</u>
Legal debt margin	\$	<u><u>106,251,765</u></u>

This page intentionally left blank

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

Function/Program	Full-time Equivalent Employees as of June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government										
Management services	3.40	3.40	3.40	3.33	2.80	2.80	3.11	3.43	3.43	3.33
Finance	6.95	5.80	5.80	5.80	4.71	4.12	4.79	4.60	4.00	4.55
Planning	1.85	2.00	2.15	2.35	2.35	2.35	2.35	2.50	2.00	2.41
Building	1.03	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	0.80	1.00	1.00
Police										
Officers	20.70	19.68	21.80	21.59	20.80	19.31	21.78	21.00	20.16	20.51
Civilians	4.70	4.59	3.77	3.80	2.46	3.82	4.35	3.82	3.80	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	7.70	7.14	6.36	7.86	7.57	6.05	5.97	4.90	5.50	4.76
Park and recreation	8.99	9.43	6.56	5.33	4.92	5.08	5.26	4.23	4.23	5.28
Water	6.61	7.14	6.42	7.22	6.08	5.84	5.83	5.35	4.70	4.71
Wastewater	5.16	4.81	4.55	5.97	5.96	6.14	6.13	6.85	5.90	5.92
Total	68.69	66.59	63.41	65.85	60.15	57.99	62.02	59.26	56.50	58.57

TOWN OF SMITHFIELD, VIRGINIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2016	2015	2014	2013	2012
Police					
Physical arrests	164	170	279	268	199
Parking violations	74	60	22	23	21
Traffic violations	1,471	1,108	1,689	1,662	1,041
Fire					
Emergency responses	875	608	620	603	659
Refuse collection					
Refuse collected (tons per day) [1]	7.53	7.29	9.63	33.13	32.57
Recycling collected (tons per day) [1]	1.87	1.64	N/A	N/A	N/A
Other public works					
Street resurfacing (miles) [1]	1.56	2.52	1.5	1.25	1.23
Potholes repaired [1]	59	73	80	85	83
Water					
New connections	19	24	21	28	10
Water mains breaks	68	76	30	25	35
Average daily consumption (thousands of gallons)	816.87	829.31	835.8	828.59	822.07
Peak daily consumption (thousands of gallons)	1,782.13	1,886.87	1,949.25	1,968.15	1,821.23

[1] outsourced to subcontractors

Table 13

2011	2010	2009	2008	2007
271	362	387	361	354
20	99	48	37	54
1,387	1,817	1,991	1,503	2,052
524	578	650	581	425
33.69	9.45	9.70	9.96	9.05
N/A	N/A	N/A	N/A	N/A
1.40	1.82	6.25	3.50	-
87	79	48	32	26
17	31	41	41	95
4	11	22	26	24
810.72	824.47	806.24	880.22	810.73
1,879.39	2,159.77	1,734.77	1,819.71	1,482.17

TOWN OF SMITHFIELD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2016	2015	2014	2013	2012
Police					
Stations	1	1	1	1	1
Patrol units	21	21	22	22	22
Fire stations	1	1	1	1	1
Other public works					
Street (miles)	47.02	47.02	47.02	47.11	47.11
Streetlights	705	705	704	704	704
Traffic signals	7	7	7	7	7
Park and recreation					
Acreage*	311.86	204.556	203.296	203.296	203.296
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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
1	1	1	1	1
21	22	21	22	21
1	1	1	1	1
47.11	47.11	47.11	47.11	43.33
687	686	684	667	655
7	7	7	7	7
201.901	201.901	201.901	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	1,120	625	625	625
38.25	38.25	38.25	38.25	38.25

This page intentionally left blank

Compliance

This page intentionally left blank

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
the Town Council
Town of Smithfield, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities and each major fund, of the Town of Smithfield, Virginia, as of and for the year ended June 30, 2016, 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 17, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Smithfield, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 17, 2017