

TOWN OF SMITHFIELD, VIRGINIA



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

**TOWN OF SMITHFIELD, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

Prepared by:

Ellen Minga, Town Treasurer

Town of Smithfield, Virginia

Town Council and Executive Officers

Mayor

T. Carter Williams

Vice-Mayor

Andrew C. Gregory

Council Members

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

Town Clerk

Lesley M. Greer

Town Manager

Peter M. Stephenson

Treasurer

Ellen D. Minga

Chief of Police

Steven G. Bowman

Committees

Finance

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

Water and Sewer

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

Public Safety - Police

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

Isle of Wight Tourism Bureau

Andrew C. Gregory
T. Carter Williams

Intergovernmental

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

Public Works

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

Public Buildings and Welfare

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

Parks and Recreation

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

Smithfield Planning Commission

Randolph H. Pack

TOWN OF SMITHFIELD, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

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	27-68
<u>Required Supplementary Information:</u>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—General Fund	69
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Highway Maintenance Fund	70
Exhibit 12 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	71
Exhibit 13 Schedule of Employer Contributions	72
Exhibit 14 Notes to Required Supplementary Information	73

TOWN OF SMITHFIELD, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>Other Supplementary Information:</u>	
Supporting Schedules:	
Schedule 1 Schedule of Revenues—Budget and Actual—Governmental Funds	74-75
Schedule 2 Schedule of Expenditures—Budget and Actual—Governmental Funds	76-77
Other Statistical Information:	
Table 1 Net Position by Component—Last Ten Fiscal Years	78-79
Table 2 Change in Net Position—Last Ten Fiscal Years	80-81
Table 3 Fund Balances of Governmental Funds—Last Ten Fiscal Years	82-83
Table 4 General Governmental Expenditures by Function—Last Ten Fiscal Years	84
Table 5 General Governmental Revenues by Source—Last Ten Fiscal Years	85
Table 6 Property Tax Rates—Last Ten Fiscal Years	86
Table 7 Principal Taxpayers-Real Estate	87
Table 8 Property Tax Levies and Collections—Last Ten Fiscal Years	88
Table 9 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita—Last Ten Fiscal Years	89
Table 10 Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures—Last Ten Fiscal Years	90
Table 11 Computation of Legal Debt Margin	91
Table 12 Full-time Equivalent City Government Employees by Function/Program—Last Ten Fiscal Years	92
Table 13 Operating Indicators by Function/Program—Last Ten Fiscal Years	93-94
Table 14 Capital Asset Statistics by Function/Program—Last Ten Fiscal Years	95-96
<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>	97-98

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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension funding on pages 3-16 and 71-73 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 November 22, 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

November 22, 2017

Management's Discussion and Analysis
Fiscal Year July 1, 2016 - June 30, 2017

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, 2017. 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 \$559,038 which represents a 1.19% increase over FY2016 (total net position-government-wide).
- The Town began construction of a public sports complex on property that was purchased in FY2016. The Town spent \$2,766,323 on the project in FY2017 of which \$2,453,167 was offset by private contributions.
- The Town continued its commitment to the Pinewood Heights CDBG Relocation project with the purchase of 12 properties and the relocation of 8 households in Phase III.
- New debt of \$3,030,447 was incurred through a non-revolving line of credit that was used for multiple capital projects throughout the Town including upgrading the water main on Main Street, construction of the public sports complex, and restoration work at Windsor Castle Park.

Overview of the Financial Statements

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

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

Government-wide financial statements

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

The Statement of Net Position presents information on the Town's assets, deferred outflows 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.

FINANCIAL HIGHLIGHTS (CONTINUED)

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 propriety funds.

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

Because the governmental funds statements present a more current focus than the information in the government-wide financial statements, a comparison between the two statements is a valuable tool for readers to understand the possible long-term impact of the government's recent financing decisions. Reconciliations of the governmental funds balance sheet and statement of revenues, expenditures, and changes are shown in Exhibits 4 and 6 on pages 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 69 through 99.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Town of Smithfield, Virginia
 Summary of Net Position
 As of June 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 11,311,023	11,186,382	\$ 6,150,947	\$ 5,797,176	\$ 17,461,970	\$ 16,983,558
Capital assets	24,524,977	22,020,121	15,114,886	15,023,743	39,639,863	37,043,864
Total assets	\$ 35,836,000	\$ 33,206,503	\$ 21,265,833	\$ 20,820,919	\$ 57,101,833	\$ 54,027,422
Deferred outflows of resources	\$ 311,057	\$ 145,900	\$ 102,163	\$ 68,088	\$ 413,220	\$ 213,988
Long-term liabilities outstanding	\$ 3,707,072	\$ 1,125,008	\$ 3,042,089	\$ 3,071,766	\$ 6,749,161	\$ 4,196,774
Other liabilities	1,146,801	818,477	229,094	225,291	1,375,895	1,043,768
Total liabilities	\$ 4,853,873	\$ 1,943,485	\$ 3,271,183	\$ 3,297,057	\$ 8,125,056	\$ 5,240,542
Deferred inflows of resources	\$ 1,783,439	\$ 1,919,989	\$ 5,759	\$ 39,118	\$ 1,789,198	\$ 1,959,107
Net position:						
Net investment in capital assets	\$ 21,015,145	\$ 21,084,936	\$ 12,510,829	\$ 12,022,648	\$ 33,525,974	\$ 33,107,584
Restricted	1,258,418	1,896,404	2,764,024	2,261,716	4,022,442	4,158,120
Unrestricted	7,236,182	6,507,589	2,816,201	3,268,468	10,052,383	9,776,057
Total net position	\$ 29,509,745	\$ 29,488,929	\$ 18,091,054	\$ 17,552,832	\$ 47,600,799	\$ 47,041,761

The combined net position for the Town totals \$47,600,799, an increase of 1.19% over FY2016. 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 only \$53,390 in FY2017 largely due to the incurrence of additional debt of \$3,030,447 to offset new construction and infrastructure upgrades. Restricted assets of \$4,022,442 comprise 8% of total net position and dropped by \$135,678 (-3%) over prior year resulting from a decrease of \$637,986 in governmental activities that was offset by an increase of \$502,308 in business activities. The restricted assets for governmental activities total of \$1,258,418 represents donated and/or designated funds specifically for the Pinewood Heights Redevelopment Project, the Smithfield Police Department, the developing sports complex, SNAP (Supplemental Nutrition Assistance Program), and highway maintenance. The FY2017 decrease occurred as restricted funds were applied to the construction of the sports complex. The business-type activities total of \$2,764,024 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. The consent order is an ongoing project that has progressed from its initial implementation phase to now include "find and fix" projects on an annual basis. Unrestricted funds of \$10,417,383 make up 22% of total net position and increased by \$641,326 (7%) 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 2017 as compared to 2016:

Town of Smithfield, Virginia
Changes in Net Position
As of June 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 97,832	\$ 91,602	\$ 2,839,731	\$ 2,792,357	\$ 2,937,563	\$ 2,883,959
Operating grants and contributions	1,862,264	1,305,965	-	-	1,862,264	1,305,965
Capital grants and contributions	957,221	3,555,770	217,840	150,444	1,175,061	3,706,214
General revenues:						
Property taxes	2,244,184	2,432,132	-	-	2,244,184	2,432,132
Other taxes	3,375,185	3,181,704	-	-	3,375,185	3,181,704
Unrestricted revenues from the use of money and property	234,640	271,179	22,587	17,172	257,227	288,351
Miscellaneous	117,471	111,620	11,539	26,793	129,010	138,413
Grants and contributions not restricted to specific programs	682,356	473,672	-	-	682,356	473,672
Gain on disposal	6,268	289,162	-	-	6,268	289,162
Total revenues	<u>\$ 9,577,421</u>	<u>\$ 11,712,806</u>	<u>\$ 3,091,697</u>	<u>\$ 2,986,766</u>	<u>\$ 12,669,118</u>	<u>\$ 14,699,572</u>
Expenses:						
General government administration	\$ 1,172,634	\$ 1,053,933	\$ -	\$ -	\$ 1,172,634	\$ 1,053,933
Public safety	2,501,166	2,395,527	-	-	2,501,166	2,395,527
Public works	2,460,615	2,462,073	-	-	2,460,615	2,462,073
Parks, recreation and cultural	1,468,199	945,848	-	-	1,468,199	945,848
Community development	1,903,649	1,144,472	-	-	1,903,649	1,144,472
Interest on long-term debt	50,342	44,266	-	-	50,342	44,266
Water fund	-	-	1,623,458	1,535,791	1,623,458	1,535,791
Sewer fund	-	-	930,017	972,556	930,017	972,556
Total expenses	<u>\$ 9,556,605</u>	<u>\$ 8,046,119</u>	<u>\$ 2,553,475</u>	<u>\$ 2,508,347</u>	<u>\$ 12,110,080</u>	<u>\$ 10,554,466</u>
Increase (decrease) in net position	<u>\$ 20,816</u>	<u>\$ 3,666,687</u>	<u>\$ 538,222</u>	<u>\$ 478,419</u>	<u>\$ 559,038</u>	<u>\$ 4,145,106</u>
Net position-beginning of year	<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>
Net position-end of year	<u>\$ 29,509,745</u>	<u>\$ 29,488,929</u>	<u>\$ 18,091,054</u>	<u>\$ 17,552,832</u>	<u>\$ 47,600,799</u>	<u>\$ 47,041,761</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Program revenues for governmental activities make up 30% of total revenues and are comprised of charges for services, operating grants and contributions, and capital grants and contributions. Charges for governmental activities services (3%) include permits, review fees, and fines and forfeitures. Charges for services increased marginally by \$6,230 over prior year. Decreases in fines and costs (-\$5,584), right-of-way/easement permits (-\$2,820), and land disturbance permits (-\$3,000) were offset by increases in zoning permits (\$2,520), demolition permits (\$5,571), inspection fees (\$7,950), and E&S fees (\$1,500). Operating grants and contributions of \$1,862,264 (64%) increased \$556,299 from prior year and consist of state highway maintenance funds (\$1,169,688), public safety grants (\$195,629), community development grants (\$497,215), cultural grants (\$5,000), and miscellaneous administrative and other grants (-\$5,268). The annual state highway maintenance funds increased \$65,664 (6%) from FY2016 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 \$166,736 to supplement the cost of law enforcement, a bullet proof vest grant (\$393), a TRIAD grant (\$2,250), and a fire programs grant that is passed through to the Smithfield Volunteer Fire Department (\$26,250). The community development operating grant represents the reimbursable portion of the Pinewood CDBG Redevelopment Project. The negative value in miscellaneous administrative and other grants resulted from a prior year grant receivable from the Virginia Department of Conservation and Recreation (DCR) that was reversed after determining that the grant would not be funded. The most significant change in program revenues occurred in capital grants and contributions which decreased \$2,598,549 from \$3,555,770 in FY2016 to \$957,221 in FY2017. In FY2016, the Town recorded significant contributions 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). Although additional contributions were received for the complex in FY2017, the total of \$890,000 was \$1,635,000 less than prior year. Those contributions were received from Smithfield Foods (\$500,000), Farmers Bank (\$150,000), and the Luter Family Foundation (\$240,000). In addition, the Town incurred \$24,000 in capital grant reimbursements from the Virginia Department of Housing and Community Development compared to \$635,740 in prior year. This resulted from a reclassification of those grant funds recorded in FY2017 (\$521,185) between operating grants (\$497,215) and capital grants (\$24,000) whereas all of FY2016 grant funds (\$635,740) were classified as capital.

The largest revenue source for the Town has always been general property taxes although meals taxes (included with Other Local Taxes) now exceeds personal property taxes and is almost level with real estate collections.

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Real estate tax revenue	\$ 1,729,971	\$ 1,767,414
Public Service corporation property taxes	31,029	30,601
Personal Property taxes	479,603	594,212
Penalties and interest	<u>3,581</u>	<u>39,905</u>
Total	<u>\$ 2,244,184</u>	<u>\$ 2,432,132</u>

Tax assessments for the Town are received from the Isle of Wight County Commissioner of Revenue. Real estate and personal property assessments for FY2017 totaled \$1,098,079,600 and \$120,444,178 respectively, excluding any subsequent supplements and abatements, compared to \$1,093,031,664 and \$163,124,755 for FY2016. FY2017 was not a reassessment year so assessment changes were related to new construction and demolition or modifications to existing structures. Regarding personal property, the assessment methodology for machinery and tools was adjusted by the Isle of Wight Commissioner of the Revenue that reduced assessed values by 40%. This adjustment was retroactive for fiscal years 2013, 2014, and 2015. The town increased its machinery and tools tax rate from \$0.15 per \$100 assessed to \$0.375 per \$100 assessed to offset the reduction. Refunds processed for years 2013 through 2015, however, did impact total personal property receipts for FY2017. A contribution was made by Isle of Wight County in the amount of \$214,204 to offset this loss of revenue and is reflected under grants and contributions not restricted to specific programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Other local taxes increased 6% 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 several offsetting decreases, but the significant rise in meals taxes accounted for the overall increase for the year. Meals tax revenues of \$1,711,204 increased \$129,491 over FY2016's total of \$1,581,713. Town Council voted on August 2, 2016 to increase the meals tax rate from 6% to 6.25%. The Town continues to dedicate 32% of its meals tax revenues (\$550,627) to the Pinewood Heights Redevelopment Project to fund its portion of required leverage. Transient occupancy taxes increased \$27,808 (16%) as 2nd, 3rd and 4th quarters all reflected higher revenues than FY2016. Sales tax revenues of \$367,527 increased by \$36,629 (11%) and replaced FY2016 as the highest sales tax revenues recorded by the Town to date. Cigarette taxes totaled \$183,973 which was a slight decrease of \$703 over prior year. This tax typically fluctuates from year to year as revenues are recognized when tax stamps are sold to wholesalers who buy in bulk. Bank franchise taxes decreased in FY2017 by \$2,724 compared to an increase of \$7,605 in the prior year. The FY2016 increase was misleading because FY2015 included a refund to one banking institution in the amount of \$20,171 as directed by the state for overpayment in 3 prior years. Consumers' utility taxes decreased \$6,427 (3%), which was one of the largest decreases to date in this category. Utility taxes are imposed and levied monthly on each purchase of natural gas or electricity delivered to consumers. Business license taxes decreased from \$390,371 in FY2016 to \$382,146 in FY2017, a drop of \$8,225 (2%). Revenues were still very strong for the year even after accounting for the decrease. Vehicles license taxes are billed at the same time as personal property taxes at a fee of \$20 per qualified vehicle. This tax increased from \$134,197 in FY2016 to \$152,416 in FY2017. At \$20 per vehicle, this increase of \$18,219 is noteworthy.

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 decreased \$36,539 from FY2016. Smithfield Center rentals (which includes Windsor Castle Park events) dropped by \$41,267 marking its first dip in several years. The decline may be attributed partially to the renovation work underway at Windsor Castle, but the rate structure was consequently re-evaluated and Town Council approved a price adjustment at its April 4, 2017 meeting. Interest revenue decreased by \$2,752 in FY2017 as contributed funds for the sports complex were removed from escrow and applied to the project. Special events revenues increased \$7,135 and reflect reimbursement to the Town for police and public works assistance during events held by organizations not directly sponsored by the Town.

Miscellaneous revenues for FY2016 totaled \$117,471 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 (\$44,000) comprised 37% of this category for FY2017 and included \$10,000 from the Windsor Castle Park Foundation as partial reimbursement for a natural playscape installation and \$34,000 from Smithfield VA Events to be dedicated for future capital needs to enhance and preserve the park. Donations of \$12,118 for the Isle of Wight Museum in lieu of an admission fee, \$1,583 for purchase of defibrillators for the police department, and \$8,259 for CHIP (Community Help In Progress) sponsored by the Smithfield Police Department rounded out the contributions for the year. The Town also received \$27,082 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 \$14,626 from gift shop sales (\$12,986) and programs and lecture fees (\$1,640).

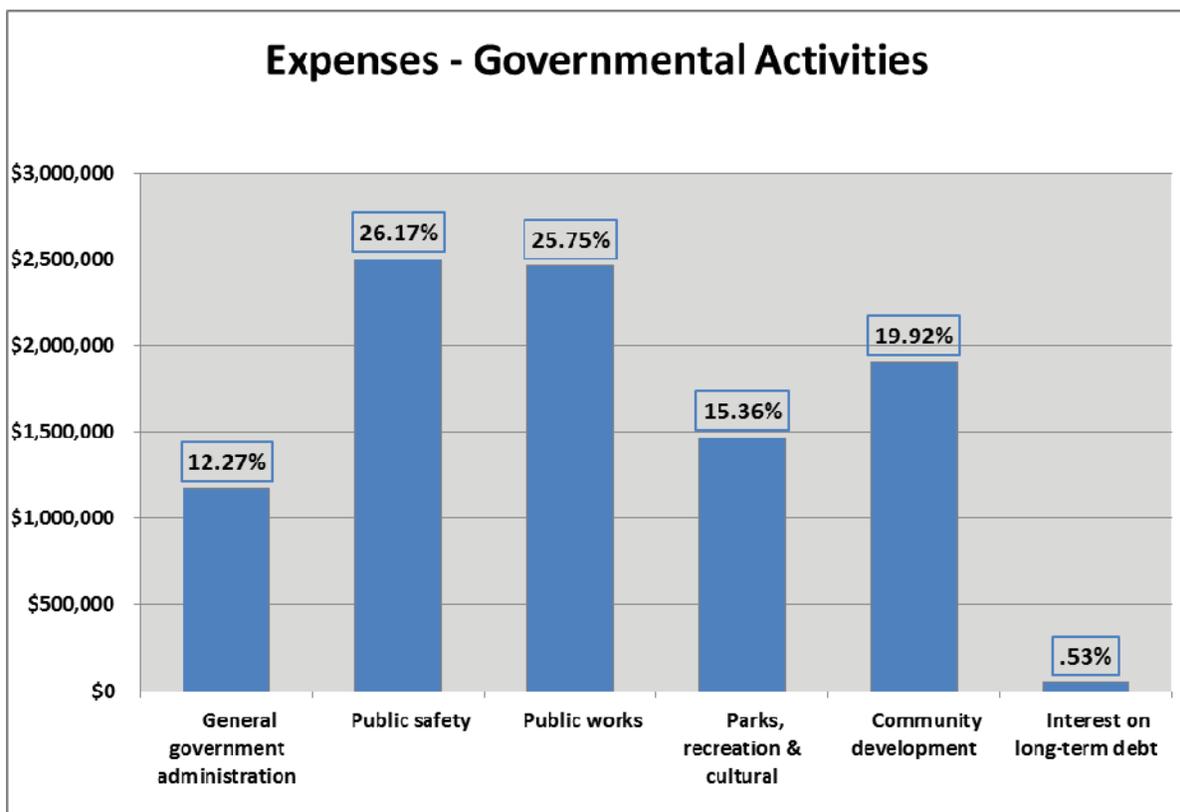
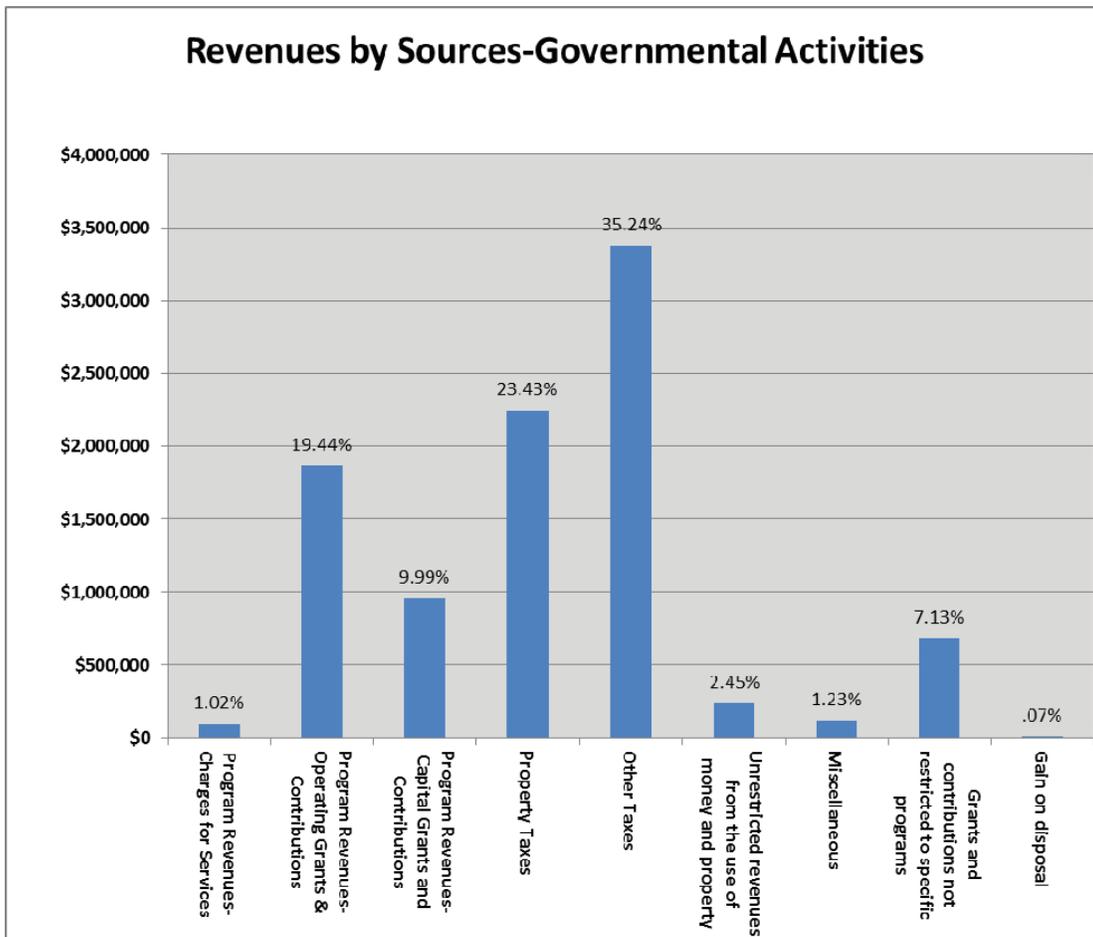
Grant contributions not restricted to specific programs include the state's annual personal property tax relief contribution, communications tax allocations, rolling stock, mobile home tax, and short term rental taxes. For FY2017, this category also includes a contribution from Isle of Wight County that reimbursed the Town \$214,204 for refunds to taxpayers due to machinery and tools tax assessment changes for fiscal years 2013 through 2015. The personal property tax relief of \$240,795 is a fixed amount that is received from the Commonwealth of Virginia in August of every year. Communications taxes are collected by the state as well and then allocated to each locality based on a percentage that was calculated when the tax was removed from the local level and redirected to the state. Revenues vary depending upon taxes collected and deductions applied by the state. Communications taxes of \$223,420 for FY2017 decreased \$5,630 from FY2016 marking a decline for the fourth consecutive year. Rolling stock, mobile home tax, and short term rental tax collectively totaled \$3,937 that was consistent with the prior year total of \$3,826.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Gain on disposal of assets of \$6,268 includes the sale of two zero turn mowers, a 1999 Police Crown Victoria, and a 1997 Ford F250 4WD in addition to various small items.

Total expenditures for FY2017 governmental activities totaled \$9,556,605 compared to \$8,046,119 for FY2016, an increase of \$1,510,486 (19%). 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 \$118,701 over FY2016. 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 11.54% for medical premiums. Also, a new Human Resources Director position was added in September 2016 to strengthen the town's management of personnel practices. 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 5 year period (1% each year) and finally reached that threshold in FY2017. Public safety and public works (including highway maintenance) are the largest cost centers and accounted for 52% of total costs compared to 60% for FY2016. Public safety increased by \$105,639 from the prior year with account increases in labor and benefits and E911 dispatch services. The Town's annual E911 contribution to Isle of Wight County for central dispatch increased by \$45,669 although still \$54,451 below budget. Savings in equipment (-\$7,592) and computer and technology equipment (-\$7,487) offset an increase to travel and training (\$9,960). Public Works ended the fiscal year with a slight reduction in costs (-\$1,458) as it remained virtually flat from prior year. Salaries and benefits did increase with raises and insurance increases as noted in other departments; however, there was a significant decrease that offset those increases. Notably, the Public Works departmental expenses included \$100,000 in FY2016 for a contribution to Isle of Wight County for sidewalks on Great Springs Road within the Town limits. That was a one- time expense that was not reflected in FY2017. The Town's highway expenses increased by \$37,537 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 \$522,351 largely because of the Town's contribution to the Windsor Castle Park Foundation (\$520,000) for its renovation project of the manor house and outbuildings. Community Development reflected the largest increase for the fiscal year (\$759,177) as a result of progress made in Phase III-MY1 of the Pinewood Heights Redevelopment Project (\$538,507) and the satisfaction of an economic development incentive (\$205,000) with a local business. The Town acquired 12 properties and relocated 8 households in Pinewood Heights during the fiscal year. Interest on long-term debt increased \$6,076 as the Town utilized a non-revolving line of credit to fund multiple capital projects throughout the year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

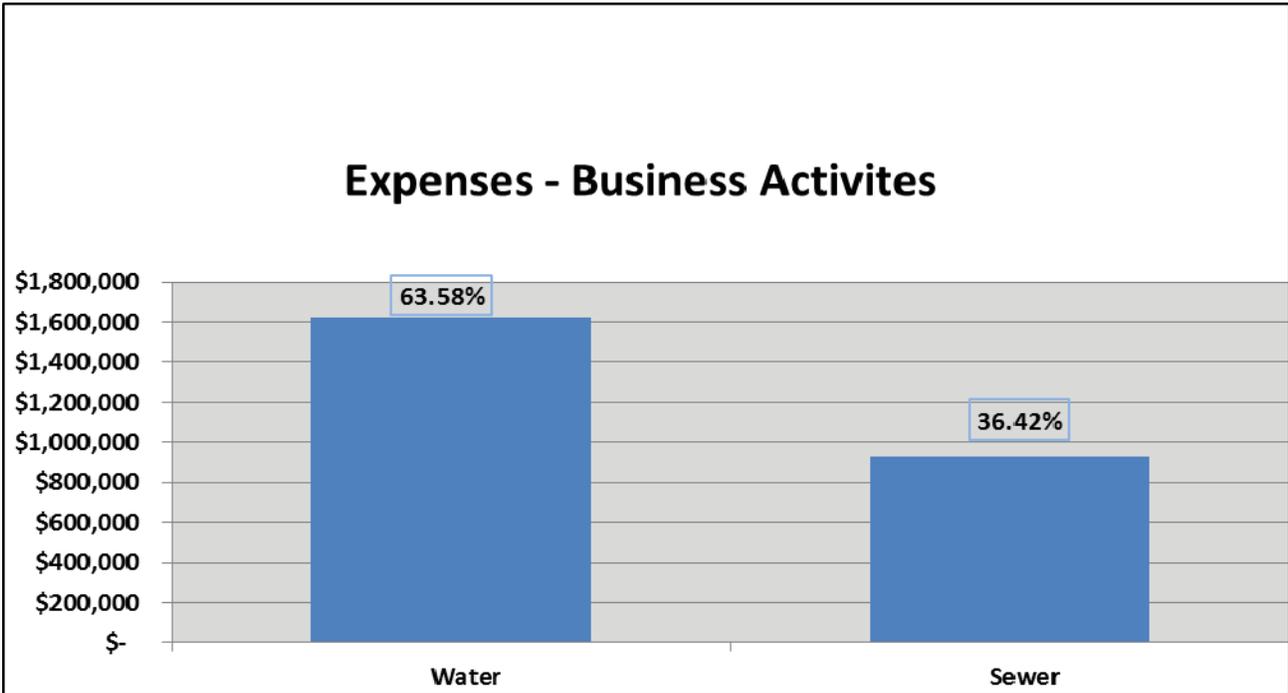
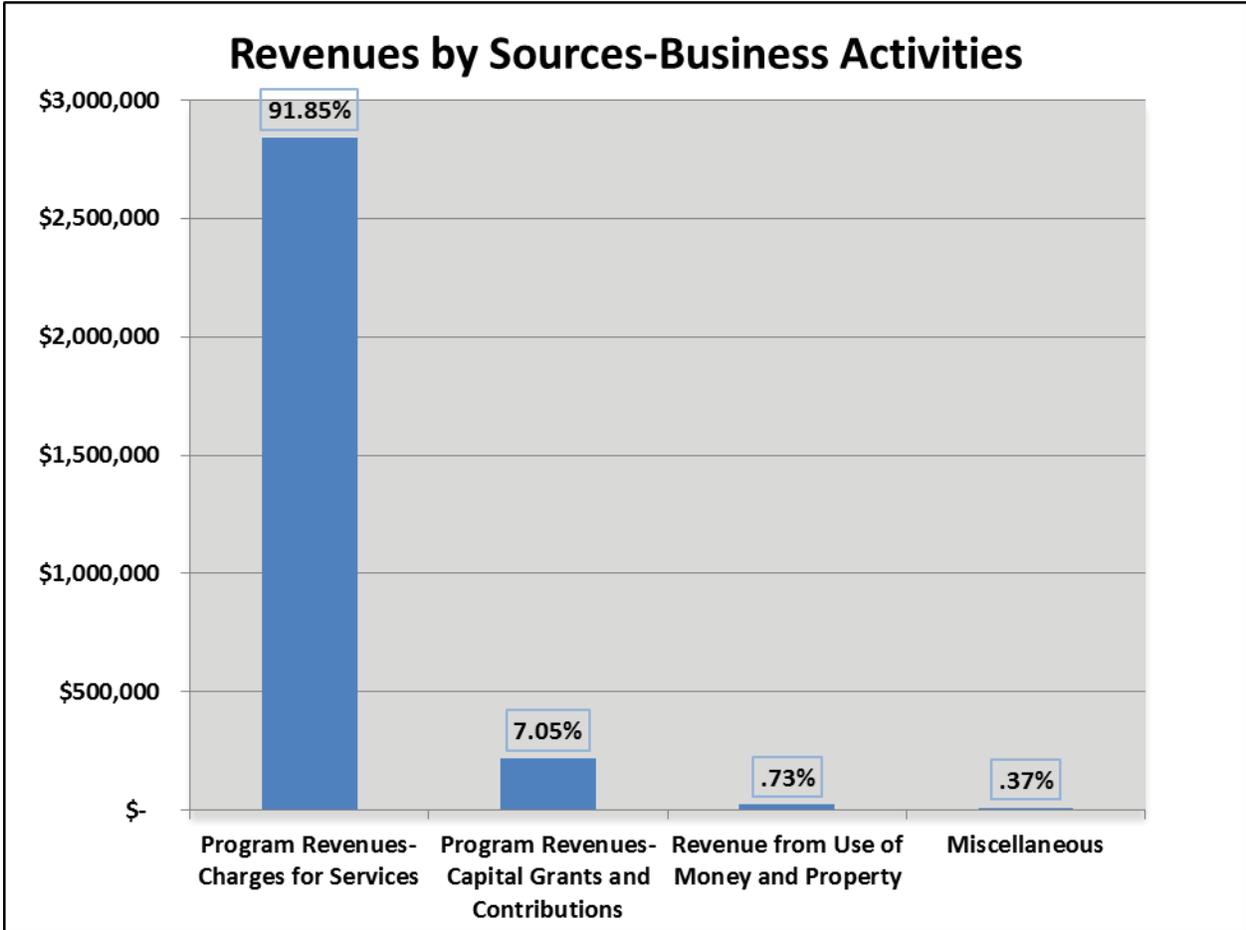


GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities. The business-type activities show an increase in net position of \$538,222 for FY2017 compared to FY2016. Program revenues include charges for services that increased by \$47,374 and capital grants and contributions that increased by \$67,396. Included in charges for services are utility charges, bulk water sales, debt service fees, sewer compliance fees, and connection fees. Water and sewer consumption remained fairly flat resulting in a revenue increase of only \$21,075. All of the increase was in the sewer fund (\$21,157) with a slight loss in water (-\$82). The water fund dropped \$13,783 from its two Gatling Pointe accounts that are billed to Isle of Wight County at an adjusted rate of \$6.10 per 1,000 gallons. This rate was reduced from \$6.41 as of July 1, 2016 as part of the Water and Sewer Services Agreement between the Town of Smithfield and Isle of Wight County. Connection fees increased \$17,870 from prior year and reflected the installation of 27 residential meters (5/8") as compared to 18 residential meters and 1 commercial meter (3/4") in FY2016. Debt service fees and sewer compliance fees reflected a slight combined increase for the year (\$8,430). They are fixed costs that are not driven by consumption, however, and therefore tend to remain stable unless there is a fluctuation in the number of active accounts. Capital Grants and Contributions increased \$67,396 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 increased from \$133,800 in FY2016 to \$177,840 in FY2017 as 9 more residential meters were installed. Availability fees are deposited into the Water and Sewer Capital Escrow Funds and are used for capital maintenance on existing infrastructure and to finance new infrastructure when needed. Pro-rata share fees increased significantly from \$4,800 last year to \$40,000 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. In FY2016, 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. That 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 slightly (\$5,415) while miscellaneous revenues of \$11,539 decreased by \$15,254 from FY2016. Miscellaneous revenues represent application fees for water service (\$9,595), returned check charges (\$100), sale of inventory items to contractors (\$1,208) and scrap metal sales (\$636). The Town did not receive insurance proceeds in FY2017 which accounts for the decrease from prior year as \$15,405 was collected in FY2016 as reimbursement for repairs to the Reverse Osmosis (RO) plant due to lightning damage.

Utility expenses increased \$45,128 for the year with water increasing \$87,667 and sewer decreasing \$42,539. The water fund recorded increases in salaries and benefits (\$85,347) due to the 5% cost of living increase and the 1% VRS Phase-In as well as the 11.54% increase in medical premiums as detailed in the general fund. The water fund also recorded increases in materials and supplies (\$26,590) and interest expense (\$36,943). These increases were offset by decreases in water tank maintenance (-\$26,181), professional services (-\$17,589), and Reverse Osmosis Plant (RO) expenses (-\$16,334). The Town did not incur any cost for water tank maintenance in FY2017 although tank maintenance will be addressed in future years. The decrease in professional fees resulted from reduced billings from the Town's contracted engineering firm, Kimley-Horn, specifically regarding alternative discharge analysis for the RO plant. RO expenses decreased as well due to a drop in HRSD wastewater treatment charges of \$15,635. Although the cost per CCF increased from \$4.13/CCF to \$4.51/CCF, usage decreased from 45,367,188 in FY2016 to 38,951,492 in FY2017.

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 to each bi-monthly bill for sewer compliance expenses. On July 1, 2013, the Town Council approved a water rate of \$5.68 per 1,000 gallons used and a fixed bi-monthly debt service fee of \$8.95. The only exception to this rate is the blended rate charged to Isle of Wight County (\$6.10) in lieu of a separate usage rate and debt service fee. Consumption and 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 \$7,810,935 for FY2017, of which \$47,593 is nonspendable, \$1,245,015 is committed, \$1,258,417 is restricted, \$8,108 is assigned and \$5,251,801 is unassigned. This was a 4% increase from FY2016's total fund balance of \$7,527,039. Of that balance, \$5,331,092 was unassigned.

General Fund. The general fund is the Town's primary operating fund for all governmental activities. Total fund balances for FY2017 equal \$7,661,218 and are made up of nonspendable fund balance of \$47,593, committed fund balance of \$1,245,015, restricted fund balance of \$1,116,809, and unassigned fund balance of \$5,251,801. The restricted fund balance was \$1,800,803 in FY2016. In FY2017, the Town received cash contributions of \$890,000 that were added to the prior year contribution balance of \$1,665,156 for construction of its new public sports complex. By June 30, 2017, only \$961,833 of those funds remained for completion of the project.

Highway Maintenance Fund. The highway maintenance fund is used to track receipts from the Commonwealth of Virginia that are specifically designated for road maintenance and to identify allowable expenses that may be charged against state revenue. Assigned fund balance for FY2017 totaled \$141,609 which is an increase from a total fund balance of \$95,601 in FY2016. 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 2017, the total assets of the proprietary funds equaled \$22,494,044 which is a 1.8% increase over FY2016. Current assets decreased \$90,220 from prior year as intercompany balances were paid down from the sewer fund, but restricted assets increased \$472,458 as sewer compliance spending was limited to "find and fix" projects rather than task based engineering fees. Total capital assets increased by \$91,143 as accumulated depreciation increased by \$680,994 but was offset by an increase of \$772,137 in gross asset value. A net pension asset of \$123,072 was also recorded as required by GASB 68 Accounting and Financial Reporting for Pensions; however, the value dropped \$64,538 from FY2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's FY2017 budget was adopted by Town Council at a special meeting held on June 27, 2016. It was appropriated at the July 5, 2016 Town Council meeting. An amended budget was presented and adopted on June 6, 2017. The amended budget reflected a decrease of \$2,252,267 (-13.79%) including reserves over the previously adopted budget. The large decrease resulted from reassessment of progress on several large projects as well as tax refunds required by an assessment change. Specifically, budgeted general property revenues decreased \$187,058, grants from the federal government decreased \$245,815, line of credit proceeds decreased \$1,192,278, and use of reserve funds decreased by \$1,674,508. These decreases were offset by increases in contributions of \$827,786 and state highway funds of \$174,383. The drop in general property taxes resulted from a change in assessment methodology for machinery and tools as determined by the Isle of Wight Commissioner of the Revenue. The change resulted in a 40% reduction in value for fiscal years 2013 through 2016. The Town had not yet billed for 2016, so the tax rate was adjusted from \$0.15 per \$100 to \$0.375 per \$100 to neutralize the impact; however, the Town did have to refund \$174,886 in tax principal and an associated \$39,318 in interest for a total of \$214,204 for years 2013 through 2015. Revenues from the federal government decreased by \$245,815 as a grant from the Department of Recreation and Conservation (DCR) in the amount of

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

\$252,815 was removed from the 2017 budget due to delays in the project to build a public boat ramp. Also included in revenues from the federal government is the Pinewood Heights CDBG Redevelopment Project. Phase III was budgeted for completion in FY2017, however, activity slowed down in the last month of the fiscal year leaving the Town unable to draw \$183,075 of the \$704,260 budgeted for reimbursement. The town also budgeted for two different lines of credit in FY2017. The first was a \$500,000 line with TowneBank to be used exclusively for the Pinewood Heights Redevelopment Project. The budget was reduced to \$250,000 as the year progressed, but ultimately the Town did not utilize the line at all during FY2017 as the meals tax revenues designated for the project were sufficient to cover costs. The second line was a \$5,000,000 non-recurring line with Farmers Bank that was utilized for multiple projects including the public sports complex and the Town's required contribution of \$2,000,000 to the Windsor Castle Park restoration project. The Town determined that a portion of the line for the sports complex and the Windsor Castle Park project would carry forward into FY2018 so the budget for credit line proceeds was reduced from \$3,597,725 to \$2,665,447 in FY2017. Reserve funds were designated for use in the sports complex, and the Town initially expected to utilize \$450,213 in operating funds to balance the 2017 budget. The budget for reserves for the sports complex was based on contributions received for the project in FY2016. The budget was reduced from \$3,025,000 to \$1,445,697 as the project continued into FY2018. Also, revenues were strong enough that operating reserves were removed from the amended budget. Contributions increased by \$827,786 to reflect the reimbursement from Isle of Wight County for the machinery and tools tax reimbursement (\$214,204), additional contributions for the public sports complex (\$600,000), and a contribution from the Windsor Castle Park Foundation (\$10,000) to offset a portion of costs for the natural playscape installation. Finally, budgeted road maintenance funds were increased by \$174,383 to reflect an increase in state funding (\$69,864) and a carry forward of grant funds remaining from FY2016 (\$104,519).

Total budgeted departmental operating expenses for FY2017 increased by \$314,537 (3.78%) with all departments showing a decrease except for Community Development and Parks, Recreation, and Cultural. The budget for Community Development increased from \$2,026,800 to \$2,156,488, an increase of \$129,688 (6.4%). This budgeted increase was made to account for the remaining portion of Phase III of the Pinewood Heights Redevelopment Project. As progress slowed, however, the Town did not even exceed its original budget of \$1,671,847, spending only \$1,316,167 for the year. The budget increase for Parks, Recreation, and Cultural was more significant at \$521,497. This increase resulted from a reclassification of the Town's commitment to the Windsor Castle Park Restoration Project from capital outlay to a contribution once it was determined that the Windsor Castle Park Foundation would manage the project. The budget for debt service was reduced by \$283,750 as the Town reduced its projected TowneBank line of credit repayment from \$500,000 to \$250,000. As noted under revenues, the Town did not utilize the line in FY2017 therefore requiring no repayment. Budgeted capital outlay decreased \$2,844,537 (-50.11%) with the largest decrease in Parks, Recreation, and Cultural (-\$2,988,745) as the construction of the public boat ramp was removed from the budget (-\$252,000), the Town's commitment to the Windsor Castle Park Renovation Project was reclassified to operating expense as a contribution (-\$1,992,500) and the budget for the public sports complex was reduced for FY2017 and rolled forward into FY2018 (-\$744,245). Also, the Town only contributed \$520,000 of the original \$1,992,500 budgeted for the Windsor Castle Restoration Project with the remainder to be paid in FY2018. Although not as significant, Public Safety capital did reflect an increase of \$92,000 as 2 motorcycles and 1 vehicle budgeted for FY2016 were not received before year end and were subsequently added to the FY2017 budget. Finally, road maintenance budget expenditures were increased by \$174,383 to account for the increase in allowable grant funds for FY2017 (\$69,864) and the carry forward of remaining FY2016 funds (\$104,519) to be spent in FY2017.

PROPRIETARY FUND BUDGETARY HIGHLIGHTS

The budget for proprietary funds was revised during FY2017 to reflect a net income of \$213,299 after contributions compared to the original budgeted income of \$52,127. Budgeted operating revenues decreased by \$34,017 (-1.20%) because water billings were tracking below budget due to a drop in billings for the Gatling Pointe development. Fortunately, both water and sewer billings slightly exceeded amended budget with water over by \$16,550 and sewer over by \$11,697 as consumption leveled off throughout the year.

PROPRIETARY FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Budgetary operating expenses also decreased by \$152,124 (-7.02%) with \$150,550 attributable to water (-9.93%) and \$1,574 to sewer (-0.24%). The majority of the budgeted change in water is attributable to a decrease in maintenance and repairs (-\$35,000), water tank maintenance (-\$100,000), and HRSD sewer maintenance costs (-\$21,047). The budget for maintenance and repairs decreased as the majority of repairs for the year were capitalized. This line item was still \$5,364 under budget after the budget decrease. The original budget for water tank maintenance was \$100,000, but cancelation of a vendor contract in FY2016 resulted in no charges for the Town in FY2017. The Town issued an invitation for bids in FY2016 but ultimately rejected the one bid received and elected to seek competitive bidding as needed for each tank. The budgeted HRSD charges for sewer treatment due to discharge from the reverse osmosis plant were reduced as usage dropped by 6,415,696 gallons saving the Town \$15,635 over prior year. Depreciation expenses were not adjusted during the year, but water was under budget by \$32,780 and sewer was under budget by \$32,781 as capital outlay expenses were under budget for both funds. The budget for non-operating revenues and expenses was increased by \$43,065 which included increases for pro-rata share fees (\$35,200) and interest revenue (\$6,700) with a slight decrease in interest expense for water (-\$1,165). The Town received pro-rata share fees of \$40,000 (\$20,000 each for water and sewer) which represents payment of \$1600 per lot on 25 lots. Pro-rata share fees are paid at the time that plats are recorded and are indicative of new development.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of FY2017, the Town’s investment in capital assets for its governmental and business-type activities totaled \$39,639,836 net of accumulated depreciation. This is an increase of \$2,595,972 from FY2016. Of this total, \$2,504,856 originated from an increase in governmental activities with a slight increase in business-type activities of \$91,143. The increase in governmental activities resulted primarily from construction in progress with the development of the public sports complex that is projected to open in the fall of 2018. Similarly, the value of business-type assets increased with a much-needed water main replacement and sewer lateral repair project on Main Street in addition to other capital purchases and repairs. The Town’s investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, art collection and construction in progress. The Town owns roads, streetlights, and other highway infrastructure that has been included in this report.

Major capital asset events during the 2017 fiscal year included the following:

- Purchase of four police vehicles, two police motorcycles, and one public works vehicle
- Purchase of 12 land parcels in Phase III MY1 of the Pinewood Heights Redevelopment Project
- Substantial progress on construction of a public sports complex
- Completion of a water line upgrade and sewer lateral repairs on Main Street
- Completion of significant waterline repairs on Pagan Road
- Sanitary sewer rehabilitation of sewer lines in Cypress & Moore’s Creek Basins
- Emergency bypass pump installation at the Wellington Pump Station

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 9,833,637	\$ 9,689,637	\$ 204,481	\$ 204,481	\$ 10,038,118	\$ 9,894,118
Building and system Improvements other than buildings	4,153,580	3,803,927	7,565,015	7,772,566	11,718,595	11,576,493
Machinery & equipment	909,013	935,490	97,793	104,554	1,006,806	1,040,044
Vehicles	397,149	442,952	2,589,683	2,625,884	2,986,832	3,068,836
Infrastructure	376,894	330,732	107,271	106,295	484,165	437,027
Art collections	5,788,819	6,098,753	4,535,279	4,163,919	10,324,098	10,262,672
Construction in progress	10,537	10,653	-	-	10,537	10,653
	3,055,348	707,977	15,364	46,044	3,070,712	754,021
Total	\$ 24,524,977	\$ 22,020,121	\$ 15,114,886	\$ 15,023,743	\$ 39,639,863	\$ 37,043,864

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

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 2017 totaled \$6,749,161 of which \$3,707,072 originated from governmental activities and the remaining \$3,042,089 from business-type activities. The Town did utilize a new five million dollar (\$5,000,000) non-revolving line of credit in FY2017 and paid interest only during the year. Of the \$5,000,000 available, \$3,030,447 was drawn during FY2017. The line was converted into a fixed note in October 2017 after the remaining \$1,969,553 was drawn. Total principal paid for all debt during the year was \$492,640. The Town's ratio of net bonded debt to total assessed value of taxable property increased from 0.07% in FY2016 to .29% in FY2017 with the addition of funding from the \$5 million credit line.

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, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 514,445	\$ 537,678	\$ 2,633,000	\$ 3,034,840	\$ 3,147,445	\$ 3,572,518
Notes payable	329,940	397,507	-	-	329,940	397,507
Line of credit	2,665,447	-	365,000	-	3,030,447	0
Compensated absences	197,240	189,823	44,089	36,926	241,329	226,749
Total	\$ 3,707,072	\$ 1,125,008	\$ 3,042,089	\$ 3,071,766	\$ 6,749,161	\$ 4,196,774

ECONOMIC FACTORS

During FY2017 the Town of Smithfield began construction of a new public sports complex. A large portion of the project was funded through the generosity of private contributors. The projected opening has been moved to the fall of 2018 as a right turn lane required by the Virginia Department of Transportation (VDOT) is currently in the engineering phase. The complex is expected to expand recreational opportunities for the citizens of Smithfield and Isle of Wight County as well as attract visitors that will stimulate the economy. In addition, substantial progress was made on the restoration project at Windsor Castle Park that has focused on the Manor House and some of its outbuildings. The park continues to be a favorite special event venue but is also used daily by those who enjoy the dog park, the natural playground, and the trails. The Pinewood Heights Redevelopment Project has made great strides with Phase III, leading the Town to start planning for Phase IV. Meals tax revenues designated for the funding of the project remain strong and have made its continuation possible. The Town did experience personnel turnover in several departments during FY2017 which is always challenging in a small organization. The Town staff has worked closely with Town Council to ensure that its work force is adequate to meet the Town's needs as amenities expand. Consideration will be given to compensation and benefits as preparations are made for the next budget cycle with an emphasis on remaining competitive with surrounding jurisdictions in order to attract and retain personnel.

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 2017. Questions concerning this report or requests for additional information should be directed to the Treasurer, Town of Smithfield, 310 Institute Street, Smithfield, VA 23430.

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
As of June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,542,886	\$ 3,663,491	\$ 9,206,377
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,833,271	-	1,833,271
Accounts receivable	308,592	541,793	850,385
Interest receivable	106	-	106
Internal balances	1,163,743	(1,163,743)	-
Due from other governmental units	288,812	1,268	290,080
Inventories	41,912	137,727	179,639
Prepaid items	5,681	-	5,681
Restricted assets:			
Cash and cash equivalents	1,603,188	2,847,339	4,450,527
Net pension asset	522,832	123,072	645,904
Capital assets (net of accumulated depreciation):			
Land	9,833,637	204,481	10,038,118
Buildings and system	4,153,580	7,565,015	11,718,595
Improvements other than buildings	909,013	97,793	1,006,806
Machinery and equipment	397,149	2,589,683	2,986,832
Vehicles	376,894	107,271	484,165
Infrastructure	5,788,819	4,535,279	10,324,098
Art collections	10,537	-	10,537
Construction in progress	3,055,348	15,364	3,070,712
Total assets	\$ 35,836,000	\$ 21,265,833	\$ 57,101,833
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ -	\$ 28,943	\$ 28,943
Net difference between projected and actual earnings on pension assets	181,735	42,779	224,514
Difference between expected and actual experience - pension	2,747	646	3,393
Pension contributions subsequent to measurement date	126,575	29,795	156,370
Total deferred outflows of resources	\$ 311,057	\$ 102,163	\$ 413,220
LIABILITIES			
Accounts payable	\$ 853,171	\$ 118,140	\$ 971,311
Accrued wages & payroll liabilities	75,275	9,731	85,006
Customer deposits	-	83,315	83,315
Accrued interest payable	167	17,908	18,075
Due to other governmental units	190,558	-	190,558
Due to taxpayers	27,630	-	27,630
Long-term liabilities:			
Due within one year	259,117	361,183	620,300
Due in more than one year	3,447,955	2,680,906	6,128,861
Total liabilities	\$ 4,853,873	\$ 3,271,183	\$ 8,125,056
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 1,758,969	\$ -	\$ 1,758,969
Difference between expected and actual experience - pension	24,470	5,759	30,229
Total deferred inflows of resources	\$ 1,783,439	\$ 5,759	\$ 1,789,198
NET POSITION			
Net investment in capital assets	\$ 21,015,145	\$ 12,145,829	\$ 33,160,974
Restricted:			
Town beautification	13,659	-	13,659
Pinewood Heights escrow	65,825	-	65,825
South Church Street projects	36,340	-	36,340
SNAP program	2,219	-	2,219
Police department expenditures	36,933	-	36,933
Sports complex	961,833	-	961,833
Highway maintenance	141,609	-	141,609
Water debt service and customer deposits	-	870,685	870,685
Sewer compliance	-	1,893,339	1,893,339
Unrestricted	7,236,182	3,181,201	10,417,383
Total net position	\$ 29,509,745	\$ 18,091,054	\$ 47,600,799

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,172,634	\$ -	\$ -	\$ -
Public safety	2,501,166	62,942	195,629	-
Public works	2,460,615	-	1,164,420	43,221
Parks, recreation, and cultural	1,468,199	-	5,000	890,000
Community development	1,903,649	34,890	497,215	24,000
Interest on long-term debt	50,342	-	-	-
Total governmental activities	\$ 9,556,605	\$ 97,832	\$ 1,862,264	\$ 957,221
Business-type activities:				
Water	\$ 1,623,458	\$ 1,598,568	\$ -	\$ 90,720
Sewer	930,017	1,241,163	-	127,120
Total business-type activities	\$ 2,553,475	\$ 2,839,731	\$ -	\$ 217,840
Total primary government	\$ 12,110,080	\$ 2,937,563	\$ 1,862,264	\$ 1,175,061

- 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
\$ (1,172,634)	\$ -	\$ (1,172,634)
(2,242,595)	-	(2,242,595)
(1,252,974)	-	(1,252,974)
(573,199)	-	(573,199)
(1,347,544)	-	(1,347,544)
(50,342)	-	(50,342)
<u>\$ (6,639,288)</u>	<u>\$ -</u>	<u>\$ (6,639,288)</u>
\$ -	\$ 65,830	\$ 65,830
-	438,266	438,266
<u>\$ -</u>	<u>\$ 504,096</u>	<u>\$ 504,096</u>
<u>\$ (6,639,288)</u>	<u>\$ 504,096</u>	<u>\$ (6,135,192)</u>
\$ 2,244,184	\$ -	\$ 2,244,184
367,527	-	367,527
382,146	-	382,146
190,102	-	190,102
1,711,204	-	1,711,204
183,973	-	183,973
152,416	-	152,416
387,817	-	387,817
234,640	22,587	257,227
117,471	11,539	129,010
682,356	-	682,356
6,268	-	6,268
<u>\$ 6,660,104</u>	<u>\$ 34,126</u>	<u>\$ 6,694,230</u>
\$ 20,816	\$ 538,222	\$ 559,038
29,488,929	17,552,832	47,041,761
<u>\$ 29,509,745</u>	<u>\$ 18,091,054</u>	<u>\$ 47,600,799</u>

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Fund Financial Statements

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Balance Sheet
Governmental Funds
As of June 30, 2017

	General	Highway Maintenance	Capital Projects	Total
ASSETS				
Cash and cash equivalents (Note 2)	\$ 5,493,468	\$ 49,418	\$ -	\$ 5,542,886
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1,3)	1,833,271	-	-	1,833,271
Accounts receivable (Note 3)	308,592	-	-	308,592
Interest receivable (Note 3)	106	-	-	106
Due from other funds (Note 5)	1,173,012	176,463	8,151	1,357,626
Due from other governmental units (Note 4)	288,812	-	-	288,812
Inventories	41,912	-	-	41,912
Prepaid items	5,681	-	-	5,681
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (Note 2)	1,458,053	145,135	-	1,603,188
Total assets	\$ 10,602,907	\$ 371,016	\$ 8,151	\$ 10,982,074
LIABILITIES				
Accounts payable	\$ 637,543	\$ 215,628	\$ -	\$ 853,171
Accrued wages & payroll liabilities	70,721	4,554	-	75,275
Due to other funds (Note 5)	184,615	9,225	43	193,883
Due to other governmental units (Note 4)	190,558	-	-	190,558
Refunds to taxpayers	27,630	-	-	27,630
Total liabilities	\$ 1,111,067	\$ 229,407	\$ 43	\$ 1,340,517
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 1,830,622	\$ -	\$ -	\$ 1,830,622
FUND BALANCE				
Nonspendable:				
Prepaid items	\$ 5,681	\$ -	\$ -	\$ 5,681
Inventory	41,912	-	-	41,912
Total nonspendable fund balance	\$ 47,593	\$ -	\$ -	\$ 47,593
Restricted:				
Town beautification	\$ 13,659	\$ -	\$ -	\$ 13,659
Pinewood Heights escrow	65,825	-	-	65,825
South Church Street projects	36,340	-	-	36,340
SNAP program	2,219	-	-	2,219
Sports Complex	961,833	-	-	961,833
Highway maintenance	-	141,609	-	141,609
Police department expenditures	36,933	-	-	36,933
Total restricted fund balance	\$ 1,116,809	\$ 141,609	\$ -	\$ 1,258,418
Committed:				
Special projects	\$ 1,003,416	\$ -	\$ -	\$ 1,003,416
Windsor Castle	157,099	-	-	157,099
Museum	84,500	-	-	84,500
Total committed fund balance	\$ 1,245,015	\$ -	\$ -	\$ 1,245,015
Assigned:				
Capital projects	\$ -	\$ -	\$ 8,108	\$ 8,108
Total assigned fund balance	\$ -	\$ -	\$ 8,108	\$ 8,108
Unassigned				
Total fund balances	\$ 5,251,801	\$ -	\$ -	\$ 5,251,801
Total fund balances	\$ 7,661,218	\$ 141,609	\$ 8,108	\$ 7,810,935
Total liabilities, deferred inflows of resources and fund balances	\$ 10,602,907	\$ 371,016	\$ 8,151	\$ 10,982,074

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	7,810,935	
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.			24,524,977
The net pension asset is not an available resource and, therefore, is not reported in the funds.			522,832
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.			126,575
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	\$	71,653	
Items related to measurement of net pension asset - deferred outflows		<u>184,482</u>	256,135
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(167)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long-term - are reported in the Statement of Net Position.			
Bonds, notes and line of credit	\$	(3,509,832)	
Compensated absences		(197,240)	
Items related to measurement of net pension asset - deferred inflows		<u>(24,470)</u>	<u>(3,731,542)</u>
Net position of governmental activities	\$		<u><u>29,509,745</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017

	General	Highway Maintenance	Capital Projects	Total
REVENUES				
General property taxes	\$ 2,257,766	\$ -	\$ -	\$ 2,257,766
Other local taxes	3,375,185	-	-	3,375,185
Permits, privilege fees, and regulatory licenses	34,890	-	-	34,890
Fines and forfeitures	62,942	-	-	62,942
Revenue from the use of money and property	234,450	190	-	234,640
Miscellaneous	1,007,471	-	-	1,007,471
Intergovernmental:				
Local government	214,204	-	-	214,204
Commonwealth	663,150	1,169,688	-	1,832,838
Federal	564,799	-	-	564,799
Total revenues	<u>\$ 8,414,857</u>	<u>\$ 1,169,878</u>	<u>\$ -</u>	<u>\$ 9,584,735</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,135,211	\$ -	\$ -	\$ 1,135,211
Public safety	2,312,087	-	-	2,312,087
Public works	921,038	1,128,070	-	2,049,108
Parks, recreation, and cultural	1,292,176	-	-	1,292,176
Community development	1,698,649	-	-	1,698,649
Capital projects	3,351,960	-	-	3,351,960
Debt service:				
Principal retirement	90,800	-	-	90,800
Interest and other fiscal charges	50,367	-	-	50,367
Total expenditures	<u>\$ 10,852,288</u>	<u>\$ 1,128,070</u>	<u>\$ -</u>	<u>\$ 11,980,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,437,431)</u>	<u>\$ 41,808</u>	<u>\$ -</u>	<u>\$ (2,395,623)</u>
OTHER FINANCING SOURCES (USES)				
Line of credit draws	\$ 2,665,447	\$ -	\$ -	\$ 2,665,447
Sale of equipment	9,872	4,200	-	14,072
Total other financing sources (uses)	<u>\$ 2,675,319</u>	<u>\$ 4,200</u>	<u>\$ -</u>	<u>\$ 2,679,519</u>
Net change in fund balances	\$ 237,888	\$ 46,008	\$ -	\$ 283,896
Fund balances - beginning	7,423,330	95,601	8,108	7,527,039
Fund balances - ending	<u>\$ 7,661,218</u>	<u>\$ 141,609</u>	<u>\$ 8,108</u>	<u>\$ 7,810,935</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, 2017

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

Net change in fund balances - total governmental funds	\$	283,896
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$	3,371,925	
Depreciation expense		<u>(859,265)</u>	2,512,660

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

Gain (loss) on exchange of capital assets	(7,804)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax revenue	\$	(13,582)	
Change in deferred inflows of resources related to the measurement of the net pension asset		141,715	
Decrease in unearned incentive		<u>(205,000)</u>	(76,867)

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

Proceeds from the line of credit draws	\$	(2,665,447)	
Principal retired on general obligation bonds and notes		<u>90,800</u>	(2,574,647)

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	\$	(7,417)	
Increase / (decrease) in net pension asset		(274,187)	
Increase / (decrease) in deferred outflows of resources related to the measurement of the net pension asset		180,589	
Increase / (decrease) in pension contributions subsequent to measurement date		(15,432)	
(Increase) / decrease in accrued interest payable		<u>25</u>	(116,422)

Change in net position of governmental activities	\$	<u><u>20,816</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
As of June 30, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,823,747	\$ 1,839,744	\$ 3,663,491
Receivables, net of allowances for uncollectibles accounts	316,403	225,390	541,793
Due from other funds	4,556	59,912	64,468
Due from other governmental units	-	1,268	1,268
Inventory	114,217	23,510	137,727
Total current assets	\$ 2,258,923	\$ 2,149,824	\$ 4,408,747
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 954,000	\$ 1,893,339	\$ 2,847,339
Total restricted assets	\$ 954,000	\$ 1,893,339	\$ 2,847,339
Net pension asset	\$ 69,634	\$ 53,438	\$ 123,072
Capital assets:			
Land	\$ 194,391	\$ 10,090	\$ 204,481
Improvements other than buildings	115,140	20,087	135,227
Vehicles	118,910	282,082	400,992
Buildings	7,394,018	4,192,193	11,586,211
Machinery and equipment	1,903,489	3,242,096	5,145,585
Infrastructure	3,487,853	8,214,137	11,701,990
Construction in progress	4,921	10,443	15,364
Accumulated depreciation	(3,984,900)	(10,090,064)	(14,074,964)
Total capital assets	\$ 9,233,822	\$ 5,881,064	\$ 15,114,886
Total noncurrent assets	\$ 10,257,456	\$ 7,827,841	\$ 18,085,297
Total assets	\$ 12,516,379	\$ 9,977,665	\$ 22,494,044
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 28,943	\$ -	\$ 28,943
Net difference between projected and actual earnings on pension assets	24,204	18,575	42,779
Difference between expected and actual experience - pension	365	281	646
Pension contributions subsequent to measurement date	16,859	12,936	29,795
Total deferred outflows of resources	\$ 70,371	\$ 31,792	\$ 102,163
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 69,168	\$ 48,972	\$ 118,140
Accrued payroll	5,878	3,853	9,731
Customer deposits	83,315	-	83,315
Accrued interest payable	14,375	3,533	17,908
Due to other funds	612,415	615,796	1,228,211
Compensated absences - current portion	12,719	7,353	20,072
Line of credit	14,111	-	14,111
Bonds payable - current portion	226,570	100,430	327,000
Total current liabilities	\$ 1,038,551	\$ 779,937	\$ 1,818,488
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,841,200	\$ 464,800	\$ 2,306,000
Line of credit	350,889	-	350,889
Compensated absences - net of current portion	15,084	8,933	24,017
Total noncurrent liabilities	\$ 2,207,173	\$ 473,733	\$ 2,680,906
Total liabilities	\$ 3,245,724	\$ 1,253,670	\$ 4,499,394
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience - pension	\$ 3,258	\$ 2,501	\$ 5,759
Total deferred inflows of resources	\$ 3,258	\$ 2,501	\$ 5,759
NET POSITION			
Net investment in capital assets	\$ 6,829,995	\$ 5,315,834	\$ 12,145,829
Restricted	870,685	1,893,339	2,764,024
Unrestricted	1,637,088	1,544,113	3,181,201
Total net position	\$ 9,337,768	\$ 8,753,286	\$ 18,091,054
Total liabilities, deferred outflows of resources and net position	\$ 12,586,750	\$ 10,009,457	\$ 22,596,207

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, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,405,673	\$ 1,241,163	\$ 2,646,836
Charges for services-debt service	192,895	-	192,895
Miscellaneous	10,003	1,536	11,539
Total operating revenues	<u>\$ 1,608,571</u>	<u>\$ 1,242,699</u>	<u>\$ 2,851,270</u>
OPERATING EXPENSES			
Personnel services	\$ 419,258	\$ 280,080	\$ 699,338
Employee benefits	88,768	65,498	154,266
Contractual	42,339	22,053	64,392
Maintenance, repairs, and truck operations	34,011	47,312	81,323
RO Plant	473,401	-	473,401
Utilities	10,608	51,515	62,123
Supplies	120,761	66,004	186,765
Other charges	56,063	45,247	101,310
Depreciation	337,288	343,706	680,994
Total operating expenses	<u>\$ 1,582,497</u>	<u>\$ 921,415</u>	<u>\$ 2,503,912</u>
Operating income (loss)	<u>\$ 26,074</u>	<u>\$ 321,284</u>	<u>\$ 347,358</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ 13,432	\$ 9,155	\$ 22,587
Interest expense and other fiscal charges	(40,961)	(8,602)	(49,563)
Total nonoperating revenues (expenses)	<u>\$ (27,529)</u>	<u>\$ 553</u>	<u>\$ (26,976)</u>
Income (loss) before contributions	<u>\$ (1,455)</u>	<u>\$ 321,837</u>	<u>\$ 320,382</u>
Contributed capital - availability fees	\$ 70,720	\$ 107,120	\$ 177,840
Contributed capital - development impact fees	20,000	20,000	40,000
Total contributed capital	<u>\$ 90,720</u>	<u>\$ 127,120</u>	<u>\$ 217,840</u>
Change in net position	<u>\$ 89,265</u>	<u>\$ 448,957</u>	<u>\$ 538,222</u>
Total net position - beginning	9,248,503	8,304,329	17,552,832
Total net position - ending	<u>\$ 9,337,768</u>	<u>\$ 8,753,286</u>	<u>\$ 18,091,054</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, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,617,097	\$ 1,266,702	\$ 2,883,799
Payments to suppliers	(692,907)	32,527	(660,380)
Payments to and on behalf of employees	(508,748)	(349,016)	(857,764)
Net cash provided by (used for) operating activities	\$ 415,442	\$ 950,213	\$ 1,365,655
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (461,946)	\$ (310,191)	\$ (772,137)
Capital contributions	90,720	127,120	217,840
Retirement of long-term indebtedness	(303,070)	(98,770)	(401,840)
Proceeds from indebtedness	365,000	-	365,000
Interest expense	(38,522)	(9,219)	(47,741)
Net cash provided by (used for) capital and related financing activities	\$ (347,818)	\$ (291,060)	\$ (638,878)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 13,432	\$ 9,155	\$ 22,587
Net cash provided by (used for) investing activities	\$ 13,432	\$ 9,155	\$ 22,587
Net increase (decrease) in cash and cash equivalents	\$ 81,056	\$ 668,308	\$ 749,364
Cash and cash equivalents - beginning, including restricted cash and cash equivalents of \$997,906 and \$1,376,975	2,696,691	3,064,775	5,761,466
Cash and cash equivalents - ending, including restricted cash and cash equivalents of \$954,000 and \$1,893,339	\$ 2,777,747	\$ 3,733,083	\$ 6,510,830
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:			
Operating income (loss)	\$ 26,074	\$ 321,284	\$ 347,358
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:			
Depreciation	337,288	343,706	680,994
(Increase) decrease in accounts receivable	38,376	22,989	61,365
(Increase) decrease in due from other funds	(600)	307,500	306,900
(Increase) decrease in due from other governmental units	-	1,014	1,014
(Increase) decrease in inventory	(4,417)	2,264	(2,153)
Increase (decrease) in compensated absences	5,523	1,640	7,163
Increase (decrease) in accrued payroll	(1,889)	(1,736)	(3,625)
Increase (decrease) in due to other funds	39,135	(75,206)	(36,071)
Increase (decrease) in accounts payable	10,158	30,100	40,258
(Increase) decrease in net pension asset	36,516	28,022	64,538
(Increase) decrease in deferred outflows of resources - pension related	(21,997)	(16,880)	(38,877)
Increase (decrease) in deferred inflows of resources - pension related	(18,875)	(14,484)	(33,359)
Increase (decrease) in customer deposits	(29,850)	-	(29,850)
Total adjustments	\$ 389,368	\$ 628,929	\$ 1,018,297
Net cash provided by (used for) operating activities	\$ 415,442	\$ 950,213	\$ 1,365,655

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

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TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017

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 (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

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

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

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. 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, Highway Maintenance 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, 2017.

E. Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2017.

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 \$98,617 at June 30, 2017. The allowance for uncollectible billings in the water and sewer funds are \$73,795 and \$50,089, 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 2017.

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 reduced 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, 2017 (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 continued after 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 increased 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 2017 was \$221,956.

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 2017.

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 2017 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 2017.

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 2017 was \$193,628.

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. Other items are the difference between expected and actual experience related to the net pension liability (asset), and net differences between projected and actual earnings on pension assets. The last item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability (asset) measurement date, which will be recognized as a reduction (addition) of the net pension liability (asset) 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 (asset) are reported as deferred inflows of resources. This includes differences between expected and actual experience. For more detailed information on this item, reference the pension note.

P. Pensions

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

Q. 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, 2017 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

As of June 30, 2017, 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 \$	<u>511,713</u>
Total	<u>\$ 511,713</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.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Credit Policy (Continued)

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

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

<u>Investment Type</u>	<u>Investment Maturity*</u>	
	<u>Fair Value</u>	<u>Less than 1</u>
VACO/VML Virginia Investment Pool	\$ 511,713	\$ 511,713
Total investments	\$ 511,713	\$ 511,713

* Weighted average maturity in years.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Town’s investment policy states that all securities and investments shall be in the name of the Town.

Concentration of Investment Credit Risk

The Town’s investment policy requires the following diversification to mitigate concentration of investment credit risk:

1. The portfolio will be diversified with no more than five percent of its value invested in the securities of any single issuer. This limitation shall not apply to securities of the Commonwealth of Virginia, the U.S. Government, insured certificates of deposit, the Commonwealth of Virginia Local Government Investment Pool, and the VACO/VML Virginia Investment Pool.
2. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Government Obligations	100% maximum
Registered Money Market Mutual Funds	100% maximum
State of Virginia LGIP	100% maximum
Repurchase Agreements	50% maximum
Commercial Paper	5% maximum
Negotiable Certificates of Deposit/Bank Notes	75% maximum
Municipal Obligations	20% maximum
Corporate Notes	15% maximum
Bank Deposits	100% maximum

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Restricted and Designated Cash

Restricted cash and cash equivalents of the Town’s governmental funds and activities at June 30, 2017, are detailed as follows:

	<u>General</u>	<u>Highway Maintenance</u>	<u>Business-type Activities</u>	
			<u>Water</u>	<u>Sewer</u>
Town beautification	\$ 13,659	\$ -	\$ -	\$ -
South Church Street projects	36,340	-	-	-
Pinewood Heights escrow	65,825	-	-	-
Police Department	36,933	-	-	-
SNAP program	2,219	-	-	-
Sports complex	1,303,077	-	-	-
Highway maintenance	-	145,135	-	-
Debt service	-	-	868,463	-
Compliance escrow	-	-	-	1,893,339
Customer deposits	-	-	85,537	-
Total	<u>\$ 1,458,053</u>	<u>\$ 145,135</u>	<u>\$ 954,000</u>	<u>\$ 1,893,339</u>

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.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

The Town reports the following investments:

	Total June 30, 2017	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
VACO/VML Virginia Investment Pool	\$ 511,713	\$ 511,713	\$ -	\$ -
Total	\$ 511,713	\$ 511,713	\$ -	\$ -

The Town designates cash and cash equivalents for the following purposes. The cash and cash equivalents are designated by actions of the Town Council and therefore do not meet the criteria for restricted.

	General	Business-type Activities		Total Primary Government
		Water	Sewer	
Special projects	\$ 1,003,416	\$ -	\$ -	\$ 1,003,416
Windsor Castle	84,500	-	-	84,500
Museum	157,099	-	-	157,099
Escrow	216,181	662,614	1,192,141	2,070,936
Total	\$ 1,461,196	\$ 662,614	\$ 1,192,141	\$ 3,315,951

NOTE 3—RECEIVABLES:

Accounts receivable are detailed as follows:

	Governmental Activities	Business-type Activities
Property taxes	\$ 1,931,888	\$ -
Consumer utility taxes	22,009	-
Consumption taxes	5,700	-
Interest	106	-
Transient occupancy tax	61,377	-
Meals tax	217,260	-
Other	2,246	-
Water and sewer billings	-	665,677
Total	\$ 2,240,586	\$ 665,677
Allowance for uncollectibles	(98,617)	(123,884)
Net receivables	2,141,969	541,793

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (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:		
Communications Tax	\$ 36,731	\$ -
Other	-	27,732
Due from/to Commonwealth	<u>\$ 36,731</u>	<u>\$ 27,732</u>
Isle of Wight County:		
Local Sales Tax	\$ 60,943	\$ -
Fines	7,817	-
Other	525	162,826
Due from/to Isle of Wight County	<u>\$ 69,285</u>	<u>\$ 162,826</u>
Due from Federal Government:		
CDBG	\$ 146,750	\$ -
VDOT construction	36,046	-
Due from Federal Government	<u>\$ 182,796</u>	<u>\$ -</u>
Total	<u>\$ 288,812</u>	<u>\$ 190,558</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, 2017, the balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government:		
General Fund	\$ 1,173,012	\$ 184,615
Highway Fund	176,463	9,225
Capital Projects Fund	8,151	43
Enterprise Funds:		
Water Fund	4,556	612,415
Sewer Fund	59,912	615,796
Total	<u>\$ 1,422,094</u>	<u>\$ 1,422,094</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (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. During fiscal year 2017 the remaining previous balance of \$205,000 was earned by the purchaser of the property. As of June 30, 2017 there are no amounts outstanding.

NOTE 7—CAPITAL ASSETS:

The following is a summary of changes in capital assets:

Governmental Activities:	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 9,689,637	\$ 144,000	\$ -	\$ 9,833,637
Construction in progress	707,977	2,907,692	560,321	3,055,348
Total capital assets not being depreciated	<u>\$ 10,397,614</u>	<u>\$ 3,051,692</u>	<u>\$ 560,321</u>	<u>\$ 12,888,985</u>
Capital assets being depreciated:				
Art collections	\$ 118,466	\$ -	\$ -	\$ 118,466
Buildings and system	5,600,704	560,321	-	6,161,025
Improvements other than buildings	1,726,134	43,636	-	1,769,770
Machinery and equipment	1,271,081	36,788	5,710	1,302,159
Vehicles	1,370,028	222,160	56,605	1,535,583
Infrastructure	9,599,274	9,845	-	9,609,119
Total capital assets being depreciated	<u>\$ 19,685,687</u>	<u>\$ 872,750</u>	<u>\$ 62,315</u>	<u>\$ 20,496,122</u>
Accumulated depreciation:				
Art collections	\$ (107,813)	\$ (116)	\$ -	\$ (107,929)
Buildings and system	(1,796,777)	(210,668)	-	(2,007,445)
Improvements other than buildings	(790,644)	(70,113)	-	(860,757)
Machinery and equipment	(828,129)	(82,591)	(5,710)	(905,010)
Vehicles	(1,039,296)	(175,998)	(56,605)	(1,158,689)
Infrastructure	(3,500,521)	(319,779)	-	(3,820,300)
Total accumulated depreciation	<u>\$ (8,063,180)</u>	<u>\$ (859,265)</u>	<u>\$ (62,315)</u>	<u>\$ (8,860,130)</u>
Net capital assets being depreciated	<u>\$ 11,622,507</u>	<u>\$ 13,485</u>	<u>\$ -</u>	<u>\$ 11,635,992</u>
Capital assets, net	<u>\$ 22,020,121</u>	<u>\$ 3,065,177</u>	<u>\$ 560,321</u>	<u>\$ 24,524,977</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 204,481	\$ -	\$ -	\$ 204,481
Construction in progress	46,044	5,556	36,236	15,364
Total capital assets not being depreciated	<u>\$ 250,525</u>	<u>\$ 5,556</u>	<u>\$ 36,236</u>	<u>\$ 219,845</u>
Capital assets being depreciated:				
Buildings and system	\$ 11,586,211	\$ -	\$ -	\$ 11,586,211
Equipment	4,902,301	243,284	-	5,145,585
Infrastructure	11,175,064	526,926	-	11,701,990
Improvements other than buildings	135,227	-	-	135,227
Vehicles	368,385	32,607	-	400,992
Total capital assets being depreciated	<u>\$ 28,167,188</u>	<u>\$ 802,817</u>	<u>\$ -</u>	<u>\$ 28,970,005</u>
Accumulated depreciation:				
Buildings and system	\$ (3,813,645)	\$ (207,551)	\$ -	\$ (4,021,196)
Equipment	(2,276,417)	(279,485)	-	(2,555,902)
Infrastructure	(7,011,145)	(155,566)	-	(7,166,711)
Improvements other than buildings	(30,673)	(6,761)	-	(37,434)
Vehicles	(262,090)	(31,631)	-	(293,721)
Total accumulated depreciation	<u>\$ (13,393,970)</u>	<u>\$ (680,994)</u>	<u>\$ -</u>	<u>\$ (14,074,964)</u>
Net capital assets being depreciated	<u>\$ 14,773,218</u>	<u>\$ 121,823</u>	<u>\$ -</u>	<u>\$ 14,895,041</u>
Capital assets, net	<u>\$ 15,023,743</u>	<u>\$ 127,379</u>	<u>\$ 36,236</u>	<u>\$ 15,114,886</u>

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

Governmental activities:	
General government administration	\$ 44,362
Public safety	202,826
Public works (Highways and streets)	438,782
Parks, recreation and cultural	173,295
Total governmental activities	<u>\$ 859,265</u>
Business-type activities	<u>\$ 680,994</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Contract Commitments

Contract commitments of the Town at June 30, 2017 related to capital assets are as follows:

Project	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Construction Standards Update	\$ 14,762	\$ 3,532
Sewer Storage Shed	5,523	6,477
Urban Fund Projects:		
Smithfield to Nike Park Trail	2,088	27,188
US 258 Right Turn Lane at Sports Complex	21,447	831,353
Intersection Improvement - Benns Church Blvd./258/Rt. 10	20,568	159,902
MUNIS Conversion	86,382	127,144
Clontz Park Boat Ramp	40,726	254,000
Ball Field Development	2,849,790	1,393,405
Total	\$ 3,041,286	\$ 2,803,001

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, 2017, the interest rate being charged to the Town was 3.58% and there was no balance outstanding. The unsecured line was renewed and will expire April 30, 2018.

On July 31, 2012, the Town entered into an agreement with Farmers Bank for a line of credit of \$1,000,000 in order to assist the Town in financing capital projects. The variable interest rate is calculated based on the Wall Street Journal Prime Rate. At June 30, 2017, the interest rate being charged to the Town was 2.9% and there was no balance outstanding. The unsecured line was to expire on July 31, 2017; however, the line was renewed and will expire on July 31, 2018.

In October 2016, the Town entered into a line of credit agreement with Farmers Bank of Windsor, VA in the amount of \$5,000,000. The non-revolving line of credit was converted to a fixed note in October 2017. Interest only was due in fiscal year 2017. Interest paid in fiscal year 2017 was \$9,735. The outstanding balance at June 30, 2017 was \$3,030,447.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS:

Governmental activities obligations

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

	<u>Balance July 1, 2016</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2017</u>
General obligation bond payable	\$ 537,678	\$ -	\$ (23,233)	\$ 514,445
Notes payable	397,507	-	(67,567)	329,940
Line of credit	-	2,665,447	-	2,665,447
Compensated absences	189,823	7,417	-	197,240
Totals	<u>\$ 1,125,008</u>	<u>\$ 2,672,864</u>	<u>\$ (90,800)</u>	<u>\$ 3,707,072</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, 2017, the balance of the bond payable was \$514,445.

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

Year Ending June 30,	<u>Bond Payable</u>		<u>Notes Payable</u>		<u>Line of Credit*</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 24,893	\$ 29,402	\$ 54,876	\$ 9,283	\$ 103,047	\$ 48,351
2019	26,552	28,033	53,609	7,635	157,036	47,323
2020	28,212	26,573	55,266	5,978	160,046	44,313
2021	29,871	24,200	56,974	4,269	163,114	41,245
2022	31,531	23,378	58,735	2,508	166,240	38,119
2023-2027	184,204	93,973	50,480	706	880,231	141,564
2028-2032	189,182	22,519	-	-	967,882	53,914
2033	-	-	-	-	67,851	268
Total	<u>\$ 514,445</u>	<u>\$ 248,078</u>	<u>\$ 329,940</u>	<u>\$ 30,379</u>	<u>\$ 2,665,447</u>	<u>\$ 415,097</u>

* The line of credit was converted to a fixed note payable in October 2017.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Bonds Payable:		
\$638,907 General Obligation Bond Series 2011 dated September 8, 2011 with principal payable semi-annually, bearing interest at 4.00% to 5.50% payable semi-annually, maturing 2031.	\$ 514,445	\$ 24,893
Notes Payable:		
\$434,300 note payable dated April 24, 2015. Payments due annually with the final installment due 2023, bearing interest at 3.05%.	\$ 327,066	52,002
\$80,175 note payable dated August 7, 2012. Payments due annually with the final installment due 2018, bearing interest at 4.00%.	2,874	\$ 2,874
Total Notes Payable	\$ 329,940	\$ 54,876
Line of Credit (Note 8)	\$ 2,665,447	\$ 103,047
Compensated Absences (Note 10)	\$ 197,240	\$ 76,301
Total governmental activities obligations	<u>\$ 3,707,072</u>	<u>\$ 259,117</u>

Business-type obligations

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

	<u>Balance July 1, 2016</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance June 30, 2017</u>
General obligation bonds payable	\$ 3,034,840	\$ -	\$ (401,840)	\$ 2,633,000
Line of Credit	-	365,000	-	365,000
Compensated absences	36,926	7,163	-	44,089
Totals	<u>\$ 3,071,766</u>	<u>\$ 372,163</u>	<u>\$ (401,840)</u>	<u>\$ 3,042,089</u>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type obligations (Continued)

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

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

Year Ending June 30,	General Obligation Bonds		Line of Credit *	
	Principal	Interest	Principal	Interest
2018	\$ 327,000	\$ 39,816	14,111	4,545
2019	329,000	34,587	21,504	6,480
2020	335,000	29,293	21,916	6,068
2021	336,000	23,943	22,336	5,648
2022	347,000	18,498	22,765	5,220
2023-2027	959,000	7,866	120,537	19,385
2028-2032	-	-	132,539	7,382
2033	-	-	9,292	37
Total	\$ 2,633,000	\$ 154,003	\$ 365,000	\$ 54,765

* The line of credit was converted to a fixed note payable in October 2017.

	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.	\$ 681,000	\$ 121,000
\$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.	1,952,000	206,000
Total	\$ 2,633,000	\$ 327,000
Line of Credit (Note 8)	365,000	14,111
Compensated Absences (Note 10)	44,089	20,072
Total business-type obligations	\$ 3,042,089	\$ 361,183

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (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, 2017, accumulated vacation and sick leave for the governmental funds amounted to \$197,240 of which \$76,301 is short-term.

At June 30, 2017, accumulated vacation and sick leave for the proprietary funds amounted to \$44,089 of which \$20,072 is short-term.

NOTE 11—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

NOTE 11—PENSION PLAN:

Plan Description: (Continued)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • 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.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>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>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>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>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. <p>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>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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 are paying the full 5% as of 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 are paying the full 5% as of 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>
<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>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Creditable Service (Cont.)	Creditable Service (Cont.)	Creditable Service (Cont.) <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>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>

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>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 See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><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>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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 Defined Benefit Component: 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>Defined Contribution Component: Not applicable.</p>
<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 Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>Political subdivisions hazardous duty employees: 50 with at least five 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>Political subdivisions hazardous duty employees: Same as Plan 1.</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> <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>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (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 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><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. 	<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><u>Exceptions to COLA Effective Dates:</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> <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, 2017 (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: (Cont.)</u></p> <ul style="list-style-type: none"> • 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: (Cont.)</u></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>
<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>

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2015 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, 2017 was 5.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$156,370 and \$175,434 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability (Asset)

The Town's net pension liability (asset) was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (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, 2015, 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, 2016.

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, 2017 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2015 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, 2015, 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, 2016.

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, 2017 (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, 2015 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, 2017 (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, 2017 (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, 2015	\$ 7,358,188	\$ 8,342,817	\$ (984,629)
Changes for the year:			
Service cost	\$ 331,525	\$ -	\$ 331,525
Interest	508,641	-	508,641
Differences between expected and actual experience	(38,766)	-	(38,766)
Contributions - employer	-	175,435	(175,435)
Contributions - employee	-	139,731	(139,731)
Net investment income	-	152,635	(152,635)
Benefit payments, including refunds of employee contributions	(183,768)	(183,768)	-
Administrative expenses	-	(5,063)	5,063
Other changes	-	(63)	63
Net changes	\$ 617,632	\$ 278,907	\$ 338,725
Balances at June 30, 2016	\$ 7,975,820	\$ 8,621,724	\$ (645,904)

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension (Asset) Liability	587,474	(645,904)	(1,654,558)

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

For the year ended June 30, 2017, the Town recognized pension expense of \$115,991. At June 30, 2017, 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	\$ 3,393	\$ 30,229
Net difference between projected and actual earnings on pension plan investments	224,514	-
Employer contributions subsequent to the measurement date	156,370	-
Total	\$ 384,277	\$ 30,229

\$156,370 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset in the fiscal year ended June 30, 2018. 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	\$ (1,156)
2018	(1,154)
2019	117,440
2020	82,548

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (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, 2017, the Town's aggregate general obligation indebtedness was \$104,261,548 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. As of June 30, 2017, the Town had closed out Phase I and Phase II which included the acquisition of 49 properties, relocation of all but 1 resident, and demolition of all but 1 unit. The remaining resident is a renter who is transitioning to a homeowner and has faced delays with sewer infrastructure on his relocation property. Funding consisted of \$2,400,000 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 \$291,228 in Section 8 vouchers, \$94,682 from the Southeastern Tidewater Opportunity Project (STOP) organization, and \$2,539,180 from the Town of Smithfield.

TOWN OF SMITHFIELD, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 15—COMMITMENTS: (CONTINUED)

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, 2017, the Town had acquired and relocated all five owner occupied units. The Town had also purchased one vacant lot, 3 Section 8 units, and 5 market rate properties with relocation of 2 section 8 and 5 market rate renters. One section 8 renter and one market rate renter become homeowners through the relocation process. The Town expended \$1,440,921 towards Phase III during the fiscal year of which \$521,185 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 the remainder of Phase III as well as Phase IV with meals tax revenues that have been dedicated to the project. With a meals tax rate of 6.25% in FY2017, the Town collected \$1,711,204 in total meals tax revenues with 2% (\$550,583) dedicated to Pinewood.

NOTE 16—UPCOMING PRONOUNCEMENTS:

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.

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.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

NOTE 16—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Required Supplementary Information

Note to Required Supplementary Information:

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

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
General property taxes	\$ 2,374,569	\$ 2,187,501	\$ 2,257,766	\$ 70,265
Other local taxes	3,200,838	3,227,475	3,375,185	147,710
Permits, privilege fees, and regulatory licenses	23,300	31,450	34,890	3,440
Fines and forfeitures	70,000	60,000	62,942	2,942
Revenue from the use of money and property	240,250	231,350	234,450	3,100
Miscellaneous	115,560	759,308	1,007,471	248,163
Intergovernmental:				
Local government	-	214,203	214,204	1
Commonwealth	674,677	672,758	663,150	(9,608)
Federal	953,575	707,760	564,799	(142,961)
Total revenues	\$ 7,652,769	\$ 8,091,805	\$ 8,414,857	\$ 323,052
EXPENDITURES				
Current:				
General government administration	\$ 1,258,865	\$ 1,211,272	\$ 1,135,211	\$ 76,061
Public safety	2,530,239	2,526,534	2,312,087	214,447
Public works	974,050	972,450	921,038	51,412
Parks, recreation, and cultural	824,733	1,346,230	1,292,176	54,054
Community development	2,036,800	2,166,488	1,698,649	467,839
Capital projects	6,423,900	3,579,363	3,351,960	227,403
Debt service:				
Principal retirement	590,893	340,893	90,800	250,093
Interest and other fiscal charges	104,674	70,924	50,367	20,557
Total expenditures	\$ 14,744,154	\$ 12,214,154	\$ 10,852,288	\$ 1,361,866
Excess (deficiency) of revenues over (under) expenditures	\$ (7,091,385)	\$ (4,122,349)	\$ (2,437,431)	\$ 1,684,918
OTHER FINANCING SOURCES (USES)				
Line of credit draws	\$ 500,000	\$ 2,905,447	\$ 2,665,447	\$ (240,000)
Proceeds of notes	3,597,725	-	-	-
Sale of equipment	8,000	9,100	9,872	772
Total other financing sources (uses)	\$ 4,105,725	\$ 2,914,547	\$ 2,675,319	\$ (239,228)
Net change in fund balances	\$ (2,985,660)	\$ (1,207,802)	\$ 237,888	\$ 1,445,690
Fund balances - beginning	2,985,660	1,207,802	7,423,330	6,215,528
Fund balances - ending	\$ -	\$ -	\$ 7,661,218	\$ 7,661,218

Highway Maintenance Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2017

	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	\$ 190	\$ 5
Intergovernmental:				
Commonwealth	1,104,024	1,169,688	1,169,688	-
Total revenues	\$ 1,104,209	\$ 1,169,873	\$ 1,169,878	\$ 5
EXPENDITURES				
Current:				
Public works	\$ 1,104,209	\$ 1,278,592	\$ 1,128,070	\$ 150,522
Total expenditures	\$ 1,104,209	\$ 1,278,592	\$ 1,128,070	\$ 150,522
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (108,719)	\$ 41,808	\$ 150,527
OTHER FINANCING SOURCES (USES)				
Sale of equipment	\$ -	\$ 4,200	\$ 4,200	\$ -
Total other financing sources (uses)	\$ -	\$ 4,200	\$ 4,200	\$ -
Net change in fund balances	\$ -	\$ (104,519)	\$ 46,008	\$ 150,527
Fund balances - beginning	-	104,519	95,601	(8,918)
Fund balances - ending	\$ -	\$ -	\$ 141,609	\$ 141,609

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 331,525	\$ 327,359	\$ 321,427
Interest	508,641	467,961	429,561
Differences between expected and actual experience	(38,766)	6,227	-
Benefit payments, including refunds of employee contributions	(183,768)	(257,044)	(147,781)
Net change in total pension liability	\$ 617,632	\$ 544,503	\$ 603,207
Total pension liability - beginning	7,358,188	6,813,685	6,210,478
Total pension liability - ending (a)	\$ 7,975,820	\$ 7,358,188	\$ 6,813,685
 Plan fiduciary net position			
Contributions - employer	\$ 175,435	\$ 169,828	\$ 225,366
Contributions - employee	139,731	126,764	133,560
Net investment income	152,635	365,835	1,071,092
Benefit payments, including refunds of employee contributions	(183,768)	(257,044)	(147,781)
Administrative expense	(5,063)	(4,907)	(5,531)
Other	(63)	(78)	57
Net change in plan fiduciary net position	\$ 278,907	\$ 400,398	\$ 1,276,763
Plan fiduciary net position - beginning	8,342,817	7,942,419	6,665,656
Plan fiduciary net position - ending (b)	\$ 8,621,724	\$ 8,342,817	\$ 7,942,419
 Town's net pension (asset) liability - ending (a) - (b)	\$ (645,904)	\$ (984,629)	\$ (1,128,734)
 Plan fiduciary net position as a percentage of the total pension liability	108.10%	113.38%	116.57%
 Covered payroll	\$ 2,636,184	\$ 2,541,822	\$ 2,522,284
 Town's net pension (asset) liability as a percentage of covered payroll	-24.50%	-38.74%	-44.75%

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

Schedule of Employer Contributions

For the Years Ended June 30, 2015 through June 30, 2017

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					
2017	\$ 156,370	\$ 156,370	\$ -	\$ 2,850,144	5.49%
2016	175,434	175,434	-	2,636,184	6.65%
2015	170,809	170,809	-	2,541,822	6.72%
2014	225,492	225,492	-	2,522,284	8.94%
2013	222,173	222,173	-	2,485,160	8.94%
2012	130,192	130,192	-	2,337,373	5.57%
2011	130,342	130,342	-	2,340,076	5.57%
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%

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 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

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Other Supplementary Information

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

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	\$ 1,709,200	\$ 1,710,000	\$ 1,743,553	\$ 33,553
Real and personal public service corporation taxes	30,524	31,026	31,029	3
Personal property and machinery & tools taxes	599,500	620,886	654,489	33,603
Refund of taxes and interest	-	(214,204)	(214,204)	-
Penalties	26,300	27,660	29,638	1,978
Interest	9,045	12,133	13,261	1,128
Total general property taxes	<u>\$ 2,374,569</u>	<u>\$ 2,187,501</u>	<u>\$ 2,257,766</u>	<u>\$ 70,265</u>
Other local taxes:				
Local sales and use taxes	\$ 320,000	\$ 331,000	\$ 367,527	\$ 36,527
Cigarette taxes	150,000	169,000	183,973	14,973
Bank stock taxes	137,645	136,955	135,109	(1,846)
Business license tax	367,600	367,600	382,146	14,546
Utility license taxes	190,000	190,000	190,102	102
Transient taxes	216,000	190,000	203,262	13,262
Meals tax	1,636,093	1,653,500	1,711,204	57,704
Vehicle licenses	136,500	140,500	152,416	11,916
Peg Channel capital fee	-	1,920	1,921	1
Consumption tax	47,000	47,000	47,525	525
Total other local taxes	<u>\$ 3,200,838</u>	<u>\$ 3,227,475</u>	<u>\$ 3,375,185</u>	<u>\$ 147,710</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 23,300	\$ 31,450	\$ 34,890	\$ 3,440
Total permits, privilege fees, and regulatory licenses	<u>\$ 23,300</u>	<u>\$ 31,450</u>	<u>\$ 34,890</u>	<u>\$ 3,440</u>
Fines and forfeitures:				
Police fines	\$ 70,000	\$ 60,000	\$ 62,942	\$ 2,942
Total fines and forfeitures	<u>\$ 70,000</u>	<u>\$ 60,000</u>	<u>\$ 62,942</u>	<u>\$ 2,942</u>
Revenue from use of money and property:				
Interest	\$ 8,000	\$ 16,500	\$ 18,502	\$ 2,002
Revenue from use of property	232,250	214,850	215,948	1,098
Total revenue from use of money and property	<u>\$ 240,250</u>	<u>\$ 231,350</u>	<u>\$ 234,450</u>	<u>\$ 3,100</u>
Miscellaneous:				
Miscellaneous	\$ 14,210	\$ 18,320	\$ 20,910	\$ 2,590
VML insurance safety grant	4,000	4,000	3,519	(481)
Donations	97,350	710,933	955,960	245,027
Insurance recoveries	-	26,055	27,082	1,027
Total miscellaneous	<u>\$ 115,560</u>	<u>\$ 759,308</u>	<u>\$ 1,007,471</u>	<u>\$ 248,163</u>
Total revenue from local sources	<u>\$ 6,024,517</u>	<u>\$ 6,497,084</u>	<u>\$ 6,972,704</u>	<u>\$ 475,620</u>
Intergovernmental:				
Revenue from local governments:				
County of Isle of Wight	\$ -	\$ 214,203	\$ 214,204	\$ 1
Total revenue from local governments	<u>\$ -</u>	<u>\$ 214,203</u>	<u>\$ 214,204</u>	<u>\$ 1</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 232,000	\$ 225,000	\$ 223,420	\$ (1,580)
PPTRA	240,795	240,795	240,795	-
Auto rental tax	4,000	4,000	3,921	(79)
Rolling stock tax	18	18	16	(2)
Total noncategorical aid	<u>\$ 476,813</u>	<u>\$ 469,813</u>	<u>\$ 468,152</u>	<u>\$ (1,661)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (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	\$ 166,736	\$ 166,736	\$ -
Total shared expenses	<u>\$ 161,533</u>	<u>\$ 166,736</u>	<u>\$ 166,736</u>	<u>\$ -</u>
Other categorical aid:				
Fire programs fund	\$ 25,627	\$ 25,627	\$ 26,250	\$ 623
Virginia Commission of Arts Grant	5,000	5,000	5,000	-
DCA grant (dam)	-	-	(8,500)	(8,500)
TRIAD	2,250	2,250	2,250	-
SNAP program fund	100	100	30	(70)
Litter control grant	3,354	3,232	3,232	-
Total other categorical aid	<u>\$ 36,331</u>	<u>\$ 36,209</u>	<u>\$ 28,262</u>	<u>\$ (7,947)</u>
Total categorical aid	<u>\$ 197,864</u>	<u>\$ 202,945</u>	<u>\$ 194,998</u>	<u>\$ (7,947)</u>
Total revenue from the Commonwealth	<u>\$ 674,677</u>	<u>\$ 672,758</u>	<u>\$ 663,150</u>	<u>\$ (9,608)</u>
Revenue from the federal government:				
Categorical aid:				
Federal Grants - Bulletproof Vest Partnership	\$ 3,500	\$ 3,500	\$ 393	\$ (3,107)
VDOT highway funds	-	-	43,221	43,221
Boat ramp grant	252,815	-	-	-
Pinewood Heights CDBG Relocation Grant	697,260	704,260	521,185	(183,075)
Total categorical aid	<u>\$ 953,575</u>	<u>\$ 707,760</u>	<u>\$ 564,799</u>	<u>\$ (142,961)</u>
Total revenue from the federal government	<u>\$ 953,575</u>	<u>\$ 707,760</u>	<u>\$ 564,799</u>	<u>\$ (142,961)</u>
Total General Fund	<u>\$ 7,652,769</u>	<u>\$ 8,091,805</u>	<u>\$ 8,414,857</u>	<u>\$ 323,051</u>
Highway Maintenance Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest	\$ 185	\$ 185	\$ 190	\$ 5
Total revenue from local sources	<u>\$ 185</u>	<u>\$ 185</u>	<u>\$ 190</u>	<u>\$ 5</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Street and highway maintenance	\$ 1,104,024	\$ 1,169,688	\$ 1,169,688	\$ -
Total revenue from the Commonwealth	<u>\$ 1,104,024</u>	<u>\$ 1,169,688</u>	<u>\$ 1,169,688</u>	<u>\$ -</u>
Total Highway Maintenance Fund	<u>\$ 1,104,209</u>	<u>\$ 1,169,873</u>	<u>\$ 1,169,878</u>	<u>\$ 5</u>
Total Primary Government	<u>\$ 8,756,978</u>	<u>\$ 9,261,678</u>	<u>\$ 9,584,735</u>	<u>\$ 323,056</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 267,683	\$ 242,921	\$ 206,346	\$ 36,575
Town Manager	471,744	487,078	458,907	28,171
Treasurer	519,438	481,273	469,958	11,315
Total general government administration	\$ 1,258,865	\$ 1,211,272	\$ 1,135,211	\$ 76,061
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,229,166	\$ 2,229,828	\$ 2,069,209	\$ 160,619
Total law enforcement and traffic control	\$ 2,229,166	\$ 2,229,828	\$ 2,069,209	\$ 160,619
Fire and rescue services:				
Fire department	\$ 48,627	\$ 48,627	\$ 49,250	\$ (623)
E-911 dispatch	252,446	248,079	193,628	54,451
Total fire and rescue services	\$ 301,073	\$ 296,706	\$ 242,878	\$ 53,828
Total public safety	\$ 2,530,239	\$ 2,526,534	\$ 2,312,087	\$ 214,447
Public works:				
Public works engineering, trash removal:				
Engineering, trash removal, maintenance	\$ 819,830	\$ 818,230	\$ 783,096	\$ 35,134
Maintenance of general buildings and grounds:				
Public buildings	\$ 154,220	\$ 154,220	\$ 137,942	\$ 16,278
Total public works	\$ 974,050	\$ 972,450	\$ 921,038	\$ 51,412
Parks, recreation, and cultural:				
Parks and recreation:				
Clontz Park	\$ 1,500	\$ 2,240	\$ 2,348	\$ (108)
SNAP Program	-	-	76	(76)
Farmers Market	3,000	3,000	3,000	-
Fireworks	2,000	2,000	2,000	-
Haydens Lane Maintenance	1,000	1,000	828	172
Veterans War Memorial	750	750	1,371	(621)
Isle of Wight Arts League	10,000	10,000	10,000	-
Jersey Park Playground	750	750	418	332
Museum	146,383	150,240	141,371	8,869
Pinewood Playground	500	500	227	273
Regional Library	8,000	8,000	1,500	6,500
Smithfield Center	451,420	453,320	423,868	29,452
TUMC Parking Lot	1,500	1,500	2,000	(500)
Waterworks Lake Park and Dam	-	500	480	20
Sports Complex	-	-	60	(60)
Windsor Castle Park	197,930	712,430	702,629	9,801
Total parks, recreation, and cultural	\$ 824,733	\$ 1,346,230	\$ 1,292,176	\$ 54,054

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (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	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Chamber of Commerce	6,000	6,000	6,000	-
Christian Outreach	11,500	11,500	11,500	-
Genieve Shelter	7,200	7,200	7,200	-
Hampton Roads Planning District	10,000	10,000	10,005	(5)
YMCA Project	50,000	50,000	50,000	-
CDBG and Pinewood Heights	1,671,847	1,801,535	1,316,168	485,367
TRIAD	3,120	3,120	3,543	(423)
Tourism Bureau	235,133	235,133	221,956	13,177
Tax Relief for Elderly & Veterans	-	-	30,277	(30,277)
Western Tidewater Free Clinic	38,000	38,000	38,000	-
Total community development	<u>\$ 2,036,800</u>	<u>\$ 2,166,488</u>	<u>\$ 1,698,649</u>	<u>\$ 467,839</u>
Capital projects:				
Function:				
General Government - Treasurer	\$ 107,525	\$ 123,068	\$ 71,544	\$ 51,524
Public Safety - Police	105,000	197,000	201,242	(4,242)
Public Works - other	9,375	19,220	63,776	(44,556)
Public Works - public buildings	10,000	34,890	30,499	4,391
Public Works - Waterworks Park & Dam		13,930	29,427	(15,497)
Parks, Recreation and Cultural - Sports Complex	3,640,000	2,895,755	2,766,323	129,432
Parks, Recreation and Cultural - Windsor Castle Park	2,060,000	67,500	43,635	23,865
Parks, Recreation and Cultural - Clontz Park	264,000	12,000	1,514	10,486
Community Development - property acquisition	228,000	216,000	144,000	72,000
Total capital projects	<u>\$ 6,423,900</u>	<u>\$ 3,579,363</u>	<u>\$ 3,351,960</u>	<u>\$ 227,403</u>
Debt service:				
Principal retirement and interest	\$ 590,893	\$ 340,893	\$ 90,800	\$ 250,093
Interest and other fiscal charges	104,674	70,924	50,367	20,557
Total debt service	<u>\$ 695,567</u>	<u>\$ 411,817</u>	<u>\$ 141,167</u>	<u>\$ 270,650</u>
Total General Fund	<u>\$ 14,744,154</u>	<u>\$ 12,214,154</u>	<u>\$ 10,852,288</u>	<u>\$ 1,361,866</u>
Highway Maintenance Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highway maintenance	\$ 1,068,513	\$ 1,242,896	\$ 1,108,104	\$ 134,792
Highway capital outlay	35,696	35,696	19,966	15,730
Total Highway Maintenance Fund	<u>\$ 1,104,209</u>	<u>\$ 1,278,592</u>	<u>\$ 1,128,070</u>	<u>\$ 150,522</u>
Total Primary Government	<u>\$ 15,848,363</u>	<u>\$ 13,492,746</u>	<u>\$ 11,980,358</u>	<u>\$ 1,512,388</u>

Other Statistical Information

TOWN OF SMITHFIELD, VIRGINIA

Net Position by Component
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental activities				
Net investment in capital assets	\$ 21,015,145	\$ 21,084,936	\$ 19,325,305	\$ 19,858,407
Restricted	1,258,418	1,896,404	130,778	161,059
Unrestricted	7,236,182	6,507,589	6,366,159	5,125,703
Total governmental activities net position	<u>\$ 29,509,745</u>	<u>\$ 29,488,929</u>	<u>\$ 25,822,242</u>	<u>\$ 25,145,169</u>
Business-type activities				
Net investment in capital assets	\$ 12,145,829	\$ 12,022,648	\$ 12,041,397	\$ 12,149,969
Restricted	2,764,024	2,261,716	2,118,384	1,793,475
Unrestricted	3,181,201	3,268,468	2,914,632	2,694,709
Total business-type activities net position	<u>\$ 18,091,054</u>	<u>\$ 17,552,832</u>	<u>\$ 17,074,413</u>	<u>\$ 16,638,153</u>
Primary government				
Net investment in capital assets	\$ 33,160,974	\$ 33,107,584	\$ 31,366,702	\$ 32,008,376
Restricted	4,022,442	4,158,120	2,249,162	1,954,534
Unrestricted	10,417,383	9,776,057	9,280,791	7,820,412
Total primary government net position	<u>\$ 47,600,799</u>	<u>\$ 47,041,761</u>	<u>\$ 42,896,655</u>	<u>\$ 41,783,322</u>

Table 1

	2013	2012	2011	2010	2009	2008
\$	20,341,956	\$ 20,238,480	\$ 16,855,409	\$ 15,757,552	\$ 14,036,786	\$ 6,065,558
	176,929	-	-	1,526,185	776,333	1,129,937
	4,478,388	2,877,537	4,112,055	2,606,432	2,789,245	3,114,587
\$	<u>24,997,273</u>	<u>23,116,017</u>	<u>20,967,464</u>	<u>19,890,169</u>	<u>17,602,364</u>	<u>10,310,082</u>
\$	12,456,082	\$ 12,248,298	\$ 12,153,344	\$ 8,383,785	\$ 7,726,696	\$ 6,052,778
	1,509,709	2,233,571	1,440,224	4,399,841	-	4,334,848
	2,397,006	1,657,184	2,750,516	2,841,075	6,980,698	3,864,596
\$	<u>16,362,797</u>	<u>16,139,053</u>	<u>16,344,084</u>	<u>15,624,701</u>	<u>14,707,394</u>	<u>14,252,222</u>
\$	32,798,038	\$ 32,486,778	\$ 29,008,753	\$ 24,141,337	\$ 21,763,482	\$ 12,118,336
	1,686,638	2,233,571	1,440,224	5,926,026	776,333	5,464,785
	6,875,394	4,534,721	6,862,571	5,447,507	9,769,943	6,979,183
\$	<u>41,360,070</u>	<u>39,255,070</u>	<u>37,311,548</u>	<u>35,514,870</u>	<u>32,309,758</u>	<u>24,562,304</u>

TOWN OF SMITHFIELD, VIRGINIA

Change in Net Position
Last Ten Fiscal Years

	2017	2016	2015	2014
Expenses				
Governmental activities:				
General government administration	\$ 1,172,634	\$ 1,053,933	\$ 1,003,355	\$ 964,395
Public safety	2,501,166	2,395,527	2,364,059	2,397,623
Public works	2,460,615	2,462,073	2,287,246	2,388,421
Parks, recreation, and cultural	1,468,199	945,848	916,654	826,369
Community development	1,903,649	1,144,472	1,039,243	1,004,920
Interest on long-term debt	50,342	44,266	41,771	35,648
Total governmental activities expenses	<u>\$ 9,556,605</u>	<u>\$ 8,046,119</u>	<u>\$ 7,652,328</u>	<u>\$ 7,617,376</u>
Business-type activities:				
Water	\$ 1,623,458	\$ 1,535,791	\$ 1,751,634	\$ 1,632,400
Sewer	930,017	972,556	1,011,978	1,121,187
Total business-type activities expenses	<u>\$ 2,553,475</u>	<u>\$ 2,508,347</u>	<u>\$ 2,763,612</u>	<u>\$ 2,753,587</u>
Total primary government expenses	<u>\$ 12,110,080</u>	<u>\$ 10,554,466</u>	<u>\$ 10,415,940</u>	<u>\$ 10,370,963</u>
Program Revenue				
Governmental activities:				
Charges for services:	\$ 97,832	\$ 91,602	\$ 105,848	\$ 92,796
Operating grants and contributions	1,862,264	1,305,965	1,263,354	1,268,617
Capital grants and contributions	957,221	3,555,770	150,800	374,394
Total governmental activities program revenues	<u>\$ 2,917,317</u>	<u>\$ 4,953,337</u>	<u>\$ 1,520,002</u>	<u>\$ 1,735,807</u>
Business-type activities:				
Charges for services:				
Water	\$ 1,598,568	\$ 1,590,719	\$ 1,624,519	\$ 1,626,650
Sewer	1,241,163	1,201,638	1,214,154	1,201,756
Operating grants and contributions	-	-	-	-
Capital grants and contributions	217,840	150,444	211,594	178,369
Total business-type activities program revenues	<u>\$ 3,057,571</u>	<u>\$ 2,942,801</u>	<u>\$ 3,050,267</u>	<u>\$ 3,006,775</u>
Total primary government program revenues	<u>\$ 5,974,888</u>	<u>\$ 7,896,138</u>	<u>\$ 4,570,269</u>	<u>\$ 4,742,582</u>
Governmental activities	\$ (6,639,288)	\$ (3,092,782)	\$ (6,132,326)	\$ (5,881,569)
Business-type activities	504,096	434,454	286,655	253,188
Total primary government net expense	<u>\$ (6,135,192)</u>	<u>\$ (2,658,328)</u>	<u>\$ (5,845,671)</u>	<u>\$ (5,628,381)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 2,244,184	\$ 2,432,132	\$ 2,304,590	\$ 2,498,772
Franchise taxes	190,102	137,832	130,227	134,609
Sales taxes	367,527	330,898	313,161	293,935
Other taxes	2,817,556	2,712,974	2,585,464	2,319,444
Grants and contributions not restricted to specific programs	682,356	473,672	480,541	480,105
Gain (Loss) on disposition of capital assets	6,268	289,162	17,028	28,142
Revenues from use of property and money	234,640	271,179	239,991	205,654
Miscellaneous	117,471	111,620	178,676	68,804
Transfers	-	-	-	-
Other-Insurance Recoveries	-	-	-	-
Total governmental activities	<u>\$ 6,660,104</u>	<u>\$ 6,759,469</u>	<u>\$ 6,249,678</u>	<u>\$ 6,029,465</u>
Business-type activities:				
Miscellaneous	\$ 11,539	\$ 26,793	\$ 15,663	\$ 10,642
Other-Insurance Recoveries	-	-	-	-
Revenues from use of property and money	22,587	17,172	13,117	11,526
Total business-type activities	<u>\$ 34,126</u>	<u>\$ 43,965</u>	<u>\$ 28,780</u>	<u>\$ 22,168</u>
Total primary government	<u>\$ 6,694,230</u>	<u>\$ 6,803,434</u>	<u>\$ 6,278,458</u>	<u>\$ 6,051,633</u>
Change in Net Position				
Governmental activities	\$ 20,816	\$ 3,666,687	\$ 117,352	\$ 147,896
Business-type activities	538,222	478,419	315,435	275,356
Total primary government	<u>\$ 559,038</u>	<u>\$ 4,145,106</u>	<u>\$ 432,787</u>	<u>\$ 423,252</u>

Table 2

2013	2012	2011	2010	2009	2008
\$ 1,008,448	\$ 849,523	\$ 873,583	\$ 861,980	\$ 1,088,173	\$ 886,653
2,363,849	2,357,991	2,453,686	2,416,984	2,458,180	3,292,390
2,090,010	2,209,701	1,813,720	1,874,892	2,258,612	1,867,083
691,306	740,853	806,902	599,380	594,077	465,185
646,422	458,015	561,600	805,672	365,494	565,386
43,342	34,721	57,712	13,760	18,451	30,409
<u>\$ 6,843,377</u>	<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>
\$ 1,546,489	\$ 1,637,463	\$ 895,899	\$ 871,765	\$ 925,985	\$ 857,058
1,245,035	1,594,505	1,078,458	985,978	1,085,367	974,884
<u>\$ 2,791,524</u>	<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>\$ 9,634,901</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>
\$ 85,572	\$ 539,710	\$ 509,445	\$ 560,155	\$ 582,030	\$ 634,147
1,335,108	1,394,579	1,287,831	1,182,407	1,175,835	2,077,963
1,516,875	2,281,395	1,202,583	2,548,708	7,204,294	621,784
<u>\$ 2,937,555</u>	<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>
\$ 1,594,540	\$ 1,521,884	\$ 1,299,332	\$ 1,432,182	\$ 1,466,705	\$ 1,358,845
1,181,471	1,370,018	1,357,910	1,167,007	912,995	932,841
-	-	-	-	2,574	265,618
212,202	120,586	18,737	184,334	16,975	1,353,581
<u>\$ 2,988,213</u>	<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>\$ 5,925,768</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>
\$ (3,905,822)	\$ (2,435,120)	\$ (3,567,344)	\$ (2,281,398)	\$ 2,179,172	\$ (3,773,212)
196,689	(219,480)	701,622	925,780	387,897	2,078,943
<u>\$ (3,709,133)</u>	<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>
\$ 2,352,590	\$ 2,602,423	\$ 2,670,808	\$ 2,707,054	\$ 2,717,017	\$ 2,473,865
116,784	131,046	143,231	141,404	92,375	98,592
259,165	323,039	263,813	263,029	284,054	279,583
2,209,427	1,905,360	1,722,320	1,704,845	1,726,986	1,635,892
493,914	-	7,637	7,025	19,405	76,731
18,722	(900,500)	(355,905)	(507,496)	-	-
193,830	306,049	46,373	70,247	77,219	152,724
138,522	19,269	4,796	12,201	-	-
-	-	(41,000)	41,000	41,000	41,000
4,124	34,018	9,219	12,551	29,028	69,517
<u>\$ 5,787,078</u>	<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>
\$ 7,543	\$ 3,091	\$ -	\$ -	\$ -	\$ -
7,110	-	-	-	-	-
12,402	14,449	17,761	32,527	108,275	321,316
<u>\$ 27,055</u>	<u>\$ 14,449</u>	<u>\$ 17,761</u>	<u>\$ 32,527</u>	<u>\$ 108,275</u>	<u>\$ 321,316</u>
<u>\$ 5,814,133</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>
\$ 1,881,256	\$ 1,985,584	\$ 903,948	\$ 2,170,462	\$ 7,166,256	\$ 1,054,692
223,744	(205,031)	719,383	958,307	496,172	2,400,259
<u>\$ 2,105,000</u>	<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>

TOWN OF SMITHFIELD, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	-
Unreserved	-	-	-	-	-
Nonspendable	47,593	87,451	37,522	2,128	36,723
Restricted	1,116,809	1,800,803	130,778	161,059	176,929
Committed	1,245,015	203,984	144,384	22,444	19,903
Unassigned	5,251,801	5,331,092	5,353,610	4,878,078	4,058,330
Total general fund	<u>\$ 7,661,218</u>	<u>\$ 7,423,330</u>	<u>\$ 5,666,294</u>	<u>\$ 5,063,709</u>	<u>\$ 4,291,885</u>
All Other Governmental Funds					
Unreserved, reported in:					
Special revenue funds	\$ -	\$ -	\$ -	\$ -	-
Capital project funds	-	-	-	-	-
Restricted, reported in:					
Special revenue funds	141,609	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	-	-	-	-	-
Total all other governmental funds	<u>\$ 149,717</u>	<u>\$ 103,709</u>	<u>\$ 91,980</u>	<u>\$ 46,172</u>	<u>\$ 117,967</u>
Total fund balances	<u>\$ 7,810,935</u>	<u>\$ 7,527,039</u>	<u>\$ 5,758,274</u>	<u>\$ 5,109,881</u>	<u>\$ 4,409,852</u>

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

Table 3

	2012	2011 [1]	2010	2009	2008
\$	-	\$ 1,174,566	\$ 1,508,460	\$ 1,078,373	\$ 1,031,489
	-	-	2,552,861	2,417,959	2,616,244
	-	-	-	-	-
	-	-	-	-	-
	-	638,907	-	-	-
	2,691,180	2,189,060	-	-	-
\$	<u>2,691,180</u>	<u>\$ 4,002,533</u>	<u>\$ 4,061,321</u>	<u>\$ 3,496,332</u>	<u>\$ 3,647,733</u>
\$	-	\$ -	\$ 9,618	\$ (25,827)	\$ 414,963
	-	-	8,107	8,107	8,107
	-	-	-	145,062	98,448
	-	147,536	-	-	-
	8,108	8,107	-	-	-
	(7,007)	-	-	-	-
\$	<u>1,101</u>	<u>\$ 155,643</u>	<u>\$ 17,725</u>	<u>\$ 127,342</u>	<u>\$ 521,518</u>
\$	<u>2,692,281</u>	<u>\$ 4,158,176</u>	<u>\$ 4,079,046</u>	<u>\$ 3,623,674</u>	<u>\$ 4,169,251</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
2017	\$ 1,135,211	\$ 2,312,087	\$ 2,049,108	\$ 1,292,176	\$ 1,698,649	\$ 3,351,960	\$ 90,800	\$ 50,367	\$ 11,980,358
2016	1,032,973	2,252,064	1,987,807	775,156	1,144,472	1,946,638	87,057	45,097	9,271,264
2015	992,342	2,269,098	1,943,321	750,219	1,039,243	588,277	45,492	40,748	7,668,740
2014	917,447	2,249,828	2,032,428	662,467	856,680	183,990	35,210	35,648	6,973,698
2013	934,052	2,328,340	2,730,845	635,558	656,362	-	482,211	43,345	7,810,713
2012	839,491	2,559,397	6,138,421	581,972	785,664	-	18,227	34,721	10,957,893
2011	773,996	2,445,825	3,198,945	866,696	1,221,142	-	6,246	57,712	8,570,562
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

[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		
2017	\$ 2,257,766	\$ 3,375,185	\$ 34,890	\$ 62,942	\$ 234,640	-	\$ 1,832,838	\$ 564,799	\$ 214,204	\$ 1,007,471	\$ 9,584,735
2016	2,381,837	3,181,704	23,075	68,527	271,179	-	1,779,637	635,740	-	2,686,650	11,028,349
2015	2,410,696	3,028,852	41,506	64,342	239,991	-	1,740,239	154,456	-	178,676	7,858,758
2014	2,407,227	2,747,988	19,043	73,753	205,654	-	1,720,439	384,334	-	87,147	7,645,585
2013	2,361,401	2,585,376	17,176	68,396	193,830	-	1,853,459	682,438	5,559	947,087	8,714,722
2012	2,601,296	2,152,082	483,943	55,767	469,018	-	1,325,597	1,047,197	354,559	1,002,539	9,491,998
2011	2,681,191	2,129,364	441,428	68,017	172,447	936	1,153,683	1,096,213	134,871	771,542	8,649,692
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

[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
2017	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.38/\$100	\$.16/\$100	\$1/\$100
2016	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2015	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2014	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2013	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2012	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
2011	\$.16/\$100	\$1/\$100 \$.16/\$100[1]	\$.25/\$100	\$.15/\$100	\$.16/\$100	\$1/\$100
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

[1] Mobile home rate.

Principal Taxpayers - Real Estate
June 30, 2017

Taxpayer	Type of Business	Assessed Valuation Real Estate	% of Total
Smithfield Foods, Inc.	Meat processing	\$ 42,454,400	3.97%
Smithfield Farmland Corp	Meat processing	30,412,700	2.84%
Suso 4 Smithfield FF LP	Real Estate	11,995,600	1.12%
Cypress Investment Holdings LLC	Land developer	9,034,000	0.84%
Bradford Mews Associates	Apartment rentals	8,380,800	0.78%
Patrick Henry Hospital	Nursing home/Assisted Living	8,294,000	0.78%
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	4,782,100	0.45%
Premium Pet Health LLC	Pet food raw material	4,563,500	0.43%
Smithfield Square Associates	Real estate	4,364,000	0.41%
Smithfield Ham & Products	Commercial/Industrial	4,197,900	0.39%
Church Square LLC	Land developer	3,661,600	0.34%
Skyline-Fri 8 LP	Commercial Real Estate	3,108,700	0.29%
Little Robert J III & Anne R	Commercial Real Estate	3,060,100	0.29%
JP Housing LP	Apartment rentals	2,806,900	0.26%
KLS Smithfield Development Group LLC	Commercial/Industrial	2,643,800	0.25%
JVC LLC	Commercial Real Estate	2,615,900	0.24%
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	2,389,900	0.22%
		\$ 166,883,600	15.60%
		Assessed Valuation Personal Property	% of Total
Gwaltney of Smithfield	Meat processing	32,740,426	27.18%
C R England Inc	Trucking/shipping	2,707,497	2.25%
Premium Pet Health LLC	Dog food plant	1,271,177	1.06%
NMHG Financial Services	Vehicle and equipment financing	1,192,598	0.99%
Charter Communications	Cable/High Speed Internet Service Provider	1,024,847	0.85%
Farm Fresh #238	Retail grocery	911,749	0.76%
Food Lion LLC	Retail grocery	903,605	0.75%
Riverside Convalescent Center	Nursing home/Assisted Living	851,972	0.71%
Hampton Inn & Suites	Hotel/Lodging	600,000	0.50%
All Virginia Environmental Solutions	Recycling/Trash Pickup	590,959	0.49%
		\$ 42,794,830	35.53%

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
2017	\$ 2,668,084	\$ 2,629,217	98.5%	\$ 40,649	\$ 2,669,866	100.1%	\$ 181,149	6.8%
2016	2,602,315	2,530,923	97.3%	25,179	2,556,102	98.2%	205,135	7.9%
2015	2,620,463	2,541,353	97.0%	62,029	2,603,382	99.3%	186,735	7.1%
2014	2,629,086	2,552,923	97.1%	49,288	2,602,211	99.0%	228,354	8.7%
2013	2,687,986	2,597,231	96.6%	65,467	2,662,698	99.1%	327,334	12.2%
2012	2,707,913	2,615,584	96.6%	54,429	2,670,013	98.6%	294,531	10.9%
2011	2,762,912	2,660,799	96.3%	91,482	2,752,281	99.6%	334,882	12.1%
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%

[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

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

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

Fiscal Year	Population	Assessed Value	Gross and Net Bonded Debt [3]	Less: Debt Payable from Enterprise Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2017	8,287 [1]	\$ 1,228,195,669	\$ 6,507,832	\$ 2,998,000	\$ 3,509,832	0.29%	\$ 424
2016	8,287 [1]	1,264,903,187	3,970,025	3,034,840	935,185	0.07%	113
2015	8,287 [1]	1,270,545,592	4,548,745	3,526,503	1,022,242	0.08%	123
2014	8,220 [1]	1,262,169,562	4,494,595	3,861,161	633,434	0.05%	77
2013	8,143 [1]	1,242,935,697	4,948,510	4,279,866	668,644	0.05%	82
2012	8,089 [1]	1,291,801,806	5,303,476	4,682,823	620,653	0.05%	77
2011	8,089 [1]	1,315,267,714	4,870,677	4,231,770	638,907	0.05%	79
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

[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			
2017	\$ 90,800	\$ 50,367	\$ 141,167	\$ 11,980,358	1.18%
2016	87,057	45,097	132,154	9,271,264	1.43%
2015	45,492	40,748	86,240	7,668,740	1.12%
2014	35,210	35,648	70,858	6,973,698	1.02%
2013	32,214	43,342	75,556	7,810,713	0.97%
2012	18,254	34,721	52,975	10,960,611	0.48%
2011	6,246	57,712	63,958	8,570,562	0.75%
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%

Computation of Legal Debt Margin
As of June 30, 2017

Total assessed value of taxed real property	\$	1,107,693,798
Debit limit - 10% of total assessed value	\$	110,769,380
Amount of debt applicable to debt limit - gross debt		<u>6,507,832</u>
Legal debt margin	\$	<u><u>104,261,548</u></u>

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

Function/Program	Full-time Equivalent Employees as of June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government										
Management services	4.18	3.40	3.40	3.40	3.33	2.80	2.80	3.11	3.43	3.43
Finance	6.91	6.95	5.80	5.80	5.80	4.71	4.12	4.79	4.60	4.00
Planning	1.85	1.85	2.00	2.15	2.35	2.35	2.35	2.35	2.50	2.00
Building	1.03	1.03	1.00	1.00	1.00	0.90	0.88	0.85	0.98	0.98
Other	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	1.00
Police										
Officers	18.32	20.70	19.68	21.80	21.59	20.80	19.31	21.78	21.00	20.16
Civilians	4.70	4.70	4.59	3.77	3.80	2.46	3.82	4.35	3.82	3.80
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	8.07	7.70	7.14	6.36	7.86	7.57	6.05	5.97	4.90	5.50
Park and recreation	9.35	8.99	9.43	6.56	5.33	4.92	5.08	5.26	4.23	4.23
Water	7.09	6.61	7.14	6.42	7.22	6.08	5.84	5.83	5.35	4.70
Wastewater	4.97	5.16	4.81	4.55	5.97	5.96	6.14	6.13	6.85	5.90
Total	68.07	68.69	66.59	63.41	65.85	60.15	57.99	62.02	59.26	56.50

TOWN OF SMITHFIELD, VIRGINIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013
Police					
Physical arrests	200	164	170	279	268
Parking violations	39	74	60	22	23
Traffic violations	1,395	1,471	1,108	1,689	1,662
Refuse collection					
Refuse collected (tons per day) [1]	7.57	7.53	7.29	9.63	33.13
Recycling collected (tons per day) [1]	2.06	1.87	1.64	N/A	N/A
Other public works					
Street resurfacing (miles) [1]	2.34	1.56	2.52	1.5	1.25
Potholes repaired [1]	43	59	73	80	85
Water					
New connections	25	19	24	21	28
Water mains breaks	29	68	76	30	25
Average daily consumption (thousands of gallons)	787.22	816.87	829.31	835.8	828.59
Peak daily consumption (thousands of gallons)	1,819.12	1,782.13	1,886.87	1,949.25	1,968.15

[1] outsourced to subcontractors

Table 13

2012	2011	2010	2009	2008
199	271	362	387	361
21	20	99	48	37
1,041	1,387	1,817	1,991	1,503
32.57	33.69	9.45	9.70	9.96
N/A	N/A	N/A	N/A	N/A
1.23	1.40	1.82	6.25	3.50
83	87	79	48	32
10	17	31	41	41
35	4	11	22	26
822.07	810.72	824.47	806.24	880.22
1,821.23	1,879.39	2,159.77	1,734.77	1,819.71

TOWN OF SMITHFIELD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013
Police					
Stations	1	1	1	1	1
Patrol units	21	21	21	22	22
Fire stations	1	1	1	1	1
Other public works					
Street (miles)	48.02	47.02	47.02	47.02	47.11
Streetlights	705	705	705	704	704
Traffic signals	7	7	7	7	7
Park and recreation					
Acreage*	311.86	311.86	204.556	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.

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

Table 14

2012	2011	2010	2009	2008
1	1	1	1	1
22	21	22	21	22
1	1	1	1	1
47.11	47.11	47.11	47.11	47.11
704	687	686	684	667
7	7	7	7	7
203.296	201.901	201.901	201.901	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	1,120	625	625
38.25	38.25	38.25	38.25	38.25

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Honorable Members of
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, 2017, 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 November 22, 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
November 22, 2017